

Personal tax rates to escape Budget increase

Personal income tax rates will not be tampered with in the Budget, expected on March 10 or 17, whatever indirect tax increases might be necessary. The Government hopes to preserve incentives for individuals, and particularly small businesses, as a way of creating new jobs. The message last night was that the Budget might be less tight than feared.

Government set on keeping incentives

By Fred Emery
Political Editor
The Government is determined not to tamper with personal income tax rates, as reduced in 1979, whatever other tax increases might be necessary in the forthcoming Budget. That was learnt on high authority yesterday.

The incentive structure, as it was being called, must be preserved towards individuals, and even encouraged towards small businesses as one of the mainstays of creating new jobs. The Budget, of course, is for Sir Geoffrey Howe, the Chancellor of the Exchequer, to prepare: officially, yesterday, it was learnt only that an announcement will be made in the Commons on Thursday regarding Budget day, expected to be March 10 or 17.

But yesterday's authoritative word is the first clear indication from the Government that its post-election income tax cuts are to be protected, at least so far as the actual tax rates are concerned. Nothing less, of course, would have been compatible with the copious promises the Conservatives made in their election manifesto. "We shall cut income tax at all levels to reward hard work," the section began. Until yesterday it had seemed possible that the Government might have to go back on that promise. The public sector borrowing requirement has been soaring ever higher, as yesterday's central government borrowing figures for December confirm. A resort to higher taxation in the event of failure to finance it had been predicted by ministers.

Mr John Nott, then Secretary of State for Trade, said in a television interview on December 16 that "we would have no recourse but to increase the income size of the balance sheet".

Other ministers have been unimpressed. Senior Conservatives like Lord Thorpecroft, party chairman, have been waging a campaign with the Prime Minister against any resort to increased taxes. The Conservatives are concerned, they appear to have

had success. But it is still likely that the tax "take" from individuals and firms alike will increase.

The Chancellor, in his November measures, announced new national insurance contributions from April, which are a form of direct personal taxation.

But it now seems likely that the Government also will allow inflation to cause people to pay more tax. Last year the Government "clawed back" some of the benefit of indexing personal tax rates by abolishing the low 25p tax rate.

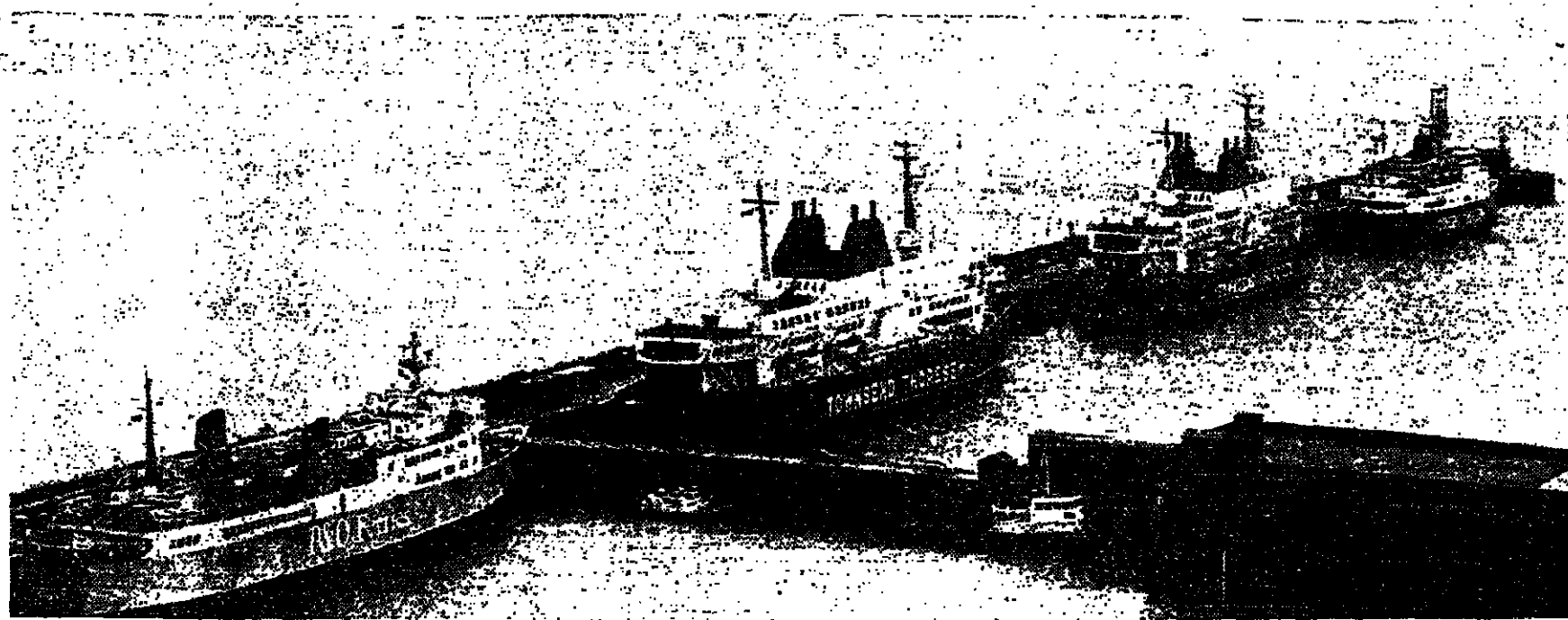
It is likely in the forthcoming Budget that there will be less than a full uprating for inflation on personal allowances. That would allow the tax rates to remain overtly unchanged while increasing the "take" for the Government.

Other indirect taxes remain on the agenda. There is no clear indication of the targets, but the tone of yesterday's message, at the heart of government, was that the Budget might not be so tight as had been generally feared.

The word was that with falling inflation, and further reductions expected in interest rates, small businesses, above all, had got to be given further encouragement in the Budget. That has been fore-shadowed by Sir Geoffrey Howe. But the renewed emphasis indicates that hopes are being rested on a stimulus to small businesses, particularly in new technology fields.

Big companies, even assuming economic recovery, and expansion are not expected to produce the needed new jobs. The same quarters are resisting any notion over complacency regarding the so-called new realism on the shop floor. What has been achieved so far by way of wage moderation is, while welcome, not enough.

But one expense is to be preserved: the Trident submarine missile replacement for the independent nuclear deterrent. It is seen as vital to Nato as well as Britain, and is regarded as cheap at the price. Conservative backbench members to the contrary will be ignored.



Some of the 18 ferries halted by the seamen's strike at Dover yesterday. But most passengers were able to transfer to foreign-crewed ships or hovercraft. Photograph by Harry Kerr

Striking seamen reject 12% as ferries lie idle

By Paul Routledge
Labour Editor
National leaders of the striking seamen have decided to reject the shipowners' final 12 per cent pay offer despite a 24-hour extension of the employers' deadline for acceptance. Industrial action will continue, and cross-Channel services from Southampton, Weymouth and Portsmouth will be affected from midnight tonight for 24 hours.

Elsewhere, ferry services will return to normal for a time under the "guerrilla" tactics of the National Union of Seamen which has intensified its industrial action in support of a pay claim. On the first day of disruption, the union claimed that 166 ships had been held in the United Kingdom and ports throughout the world. The figure is disputed by the shipowners, who say that 42 vessels have been halted.

The 16-member NUS executive meets tomorrow to hear a full report of the unsuccessful weekend peace initiative by the Advisory, Conciliation and Arbitration Service (Acas). The union's three national officers will recommend rejection of the latest offer, and there is little doubt that their view will carry the day.

But while the formal business of organising NUS action proceeds, the union is also winning support from key

members of the Transport and General Workers' Union among tugboatmen, linesmen and lock-gate workers, whose job is to keep quayside traffic moving. Mr Sam McCloskie, the union's deputy general secretary, said yesterday: "If we can block berths then that could be ideal. It takes only two or three ships to block some of the biggest ports in the country."

NUS tactics are now clearly aimed at producing the effect of a national shipping strike without calling out all the union's members, a measure that would not only deplete its funds but require a majority in a secret postal ballot.

Seamen in the North Sea oil port of Aberdeen have asked their union to hold a ballot authorising a "national and international stoppage" to force

the shipowners to go to arbitration on their claim.

The seamen's executive is most unlikely to take up that proposal, but the NUS dispute committee running the strike is carefully keeping the numbers involved below half the membership so as to keep within the rule book requirements. "We shall observe the rules," Mr McCloskie said. "We cannot do other."

The test of when a strike becomes "national" and then subject to a ballot is apparently when a majority of the membership is drawn into it. "What we are trying to have is the maximum impact on the shipowners, and the minimum on our members," he added.

Dover disrupted, page 2
Parliamentary report, page 8
Going for the money, page 12

Mr Steel's 10 ways to revitalize economy

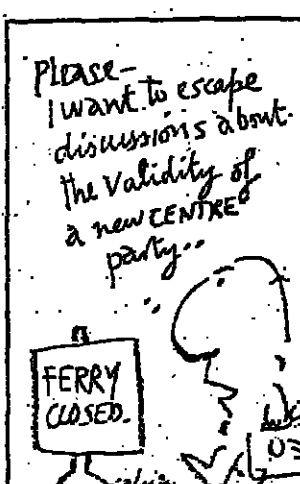
By George Clark
Political Correspondent
Launching a 10-point programme for economic recovery, which consists of a concise statement of Liberal Party policies agreed over recent years, Mr David Steel, the Liberal leader, said yesterday that it could form the basis for discussions with any group of Labour MPs who may decide to break away from their party and form a social democratic group.

He was neither optimistic nor pessimistic about the possibility of Labour MPs breaking their party ties as a result of the increased power of the Left in policy making.

He said: "I have my views on what should happen. I feel strongly that they have to reach a point where they stop consulting their consciences and actually come to a decision about what they will do. I hope that decision will come within a few weeks of the Labour Party special conference on January 24."

"I think there will be a small group of Labour MPs who will leave the Labour Party. There is considerable division of opinion within their own ranks."

One of the main points in the programme, calls for a long-term income policy, which relates wages increases to economic success, while protecting the interests of those with less



Soldiers on trial for two Ulster murders

From Christopher Thomas
Belfast

Two men were murdered by serving members of the British Army on a farm in Northern Ireland in December 1979. It was alleged that Belfast Crown Court yesterday.

The soldiers were members of The Argyll and Sutherland Highlanders and killed the men with stab wounds, probably using a double-edged dagger, it was added. A captain is accused of withholding information.

Four men, three of them still serving with the Army, appeared before Mr Justice MacDermott without a jury. Two of them pleaded not guilty to double murder and one denied one murder. The fourth admitted withholding information.

The victims were Mr Michael Naan, who farmed near Newtownabbey in the border district of County Fermanagh, and Mr Andrew Murray, a farm worker. Both were Roman Catholics.

Staff Sergeant Stanley Hathaway, aged 33, of 1st Armoured Division, Neirberr, West Germany, is accused of murdering Mr Naan, who was shot in the back of the head. Mr Byrne, aged 33, of Colchester, Essex.

Iain Chestnut, aged 32, of Aberdeen, a former lance corporal in the Argylls is accused of murdering Mr Murray. Captain Andrew Snowball, aged 28, admitted withholding information about the murders.

Mr Alan Comerton, QC, for the Crown, said Mr Murray had at least seven wounds in the chest and six in his back. Mr Naan had at least 17 wounds to the chest.

Mr Comerton alleged that Sgt Hathaway went to a byre at the farm to question Mr Naan and did not find him cooperative. For no legal or proper reason he stabbed him.

"Hathaway came out of the byre and found that the other person (Mr Murray) was being held in custody," he added. "Hathaway decided to kill Mr Murray for no other reason than to do away with what he saw as the only witness to the horrendous act in the byre. He lived at least 13 stab wounds to Mr Murray."

The judge said the case against Captain Snowball would be adjourned until the end of the trial of the other men. The trial continues today.

Snow strands trains in France and Spain

From Ian Murray
Paris, Jan 12

The heaviest snow for 20 years fell in the South of France today, trapping trains, bringing down power lines and cutting off main roads into Spain. The south west was particularly badly hit, with the Department of the Aude almost cut off under an 18in covering of snow.

Three trains with a total of around 2,000 passengers, were blocked on lines near Carcassonne. Rescue helicopters could not take off and police had to battle through snowdrifts to bring food to the trapped passengers. It was not until this morning that coaches could be brought up to take the people off.

Two 60,000-volt cables were brought down across the motorway linking Narbonne with Carcassonne and power supplies to much of the area were disrupted. Although 200 engineers were sent in to try to clear up, it was not expected that supplies could be restored for hours. About 80 per cent of electricity supplies in the Toulouse region were cut.

Train crash: At least three people died and 20 were hurt in a commuter train crash as a result of a flood near the northern city of San Sebastian today (Harry Debellus writes from Madrid). Half of Spain felt the effects of a continuing snowstorm which marooned express train passengers, isolated numerous villages and, in Madrid, caused multiple collisions involving as many as 120 cars.

Señor Adolfo Suárez, the Prime Minister, arrived at Madrid's Barajas airport by helicopter this morning to welcome Mr Isaiar Ibrahim, the Vice-Chairman of the Revolu-

tionary Council of Iraq, on an official visit.

He greeted the Iraqi leader alone, since the military guard of honour, members of the Iraqi Embassy and top Spanish officials failed to arrive on time. They were held up by a 120-car collision on the airport road. There were no serious injuries in that crash.

Snow drifts blocked the way of six passenger trains, three of which remained trapped in northern mountain passes. Ski troops of the paramilitary Civil Guard forces came to the rescue of passengers on one of the snowed-in trains, carrying food and first-aid supplies. A spokesman for the national railway system, RENFE, said that all of the snowed-in trains had sufficient food and fuel to last until the tracks could be cleared of heavy drifts.

West Germany: Police said three people died and 20 were injured in 170 weekend traffic accidents in northern areas. Bavarian temperatures fell to -13°C, but Alpine snow was reported firm.

Switzerland: Geneva was affected by a record 8in snowfall closing the airport for several hours.

The bodies of two Italian skiers were discovered today near Zermatt on the Italian border, near where three skiers died last week.

Greece: A baby boy being taken to hospital with pneumonia died in a car trapped by weekend snowfalls. He was one of eight people to die of hypothermia in what meteorologists described as the coldest weather to affect Greece in more than 10 years.—UPI.

Public borrowing likely to outstrip targets

By John Whitmore
Financial Correspondent

The public sector borrowing requirement (PSBR) is increasingly likely to exceed the Government's revised estimate of £11,500m in the present financial year.

Figures released yesterday showed a further sharp increase in the main components of central government expenditure in December and an overall borrowing requirement for the month of £2,311m.

That figure brings the total central government borrowing requirement in the first nine months of the present financial year to £13,059m, compared with £10,183m at the same stage last year. The Exchequer will benefit from the main tax-gathering season in the next quarter, but the estimate is still likely to be exceeded.

In the Budget last spring Sir Geoffrey Howe, Chancellor of

the Exchequer forecast a PSBR of £8,500m for the 1980-81 financial year. In November he revised the figure to £11,500m. However, all PSBR forecasts are subject to large margins of error and at present it looks as if the likely outcome for the full year is continuing to drift upwards.

Recent internal Treasury forecasts are thought to have put the figure above the £12,000m level, and many City analysts are looking for a figure of around £12,000m to £13,000m.

The main problem for the Government continues to be the control of public spending. Supply service expenditure, which covers the bulk of central government spending, rose by 27 per cent in December, though the rate of increase after the first nine months of the year, at 24.8 per cent, is slightly down on the figure after six months.

Slightly more encouraging is the drop in other categories of expenditure. Although those have been helped by the £100m instalment of agreed rebates from the EEC. This leaves total consolidated fund expenditure 23 per cent higher after nine months of the year, compared with the original forecast of a 20 per cent increase for the entire year.

Although the Government's revenue is also running ahead of its 20 per cent growth target, with a rise to date of 22.3 per cent, the gap between expenditure and revenue has been further swollen by the increased lending of the National Loans Fund to local authorities and public corporations.

What is not known at this stage is whether the recent increase in lending in those areas represents an increase in the total borrowing requirement of those two sectors or merely a switch in their sources of finance from the markets to central government.

Although the Government will be looking for substantial central government surpluses over the next two months through taxes, further asset sales and an additional £500m or so of EEC rebates, it still seems likely that the PSBR will stray above the Chancellor's recent estimate.

The two main causes of the Government's problems have been straight overspending in such areas as defence, and the impact of the recession on social security payments, taxation and the profitability of the nationalised industries.

Of the final PSBR increase, more than half can probably be attributed to the fact that the recession has proved deeper and unemployment higher than the Treasury expected.

Borrowings table, page 18

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Borrowings table, page 18

Gunmen kill Arab MP in Jerusalem

From Christopher Walker
Jerusalem, Jan 12

Israel's most prominent Bedu politician, Shaikh Muhsin al-Khatib, aged 35, was shot dead tonight by unidentified gunmen.

He was killed as he sat alone in his car close to an hotel on the western outskirts of Jerusalem where he stays during Knesset sessions.

A big Israeli security operation was immediately mounted in the vicinity of the hotel. Later Mr Tawfiq Toubi, an Arab Communist MP, claimed that Shaikh al-Khatib's killing was "a political murder". It was noted in Israeli political circles that Shaikh al-Khatib had recently been involved in a bitter dispute with rival Arab politicians about his alleged refusal to hand over his Knesset seat under previously agreed rotation procedure.

The murder had all the hallmarks of a carefully planned terrorist attack. Shaikh al-Khatib was described by witnesses as having been shot by gunmen travelling in a vehicle of "military appearance".

The killing is believed to be the result of either an inter-Bedu feud or an act of vengeance by extremist Jews.

An MP since 1978, Shaikh al-Khatib lived in a remote part of the southern Negev desert where he was known as a fierce defender of Bedu rights against attempts by the Israeli Administration to expropriate land.

He was politically affiliated to the opposition Labour alignment.

His murder comes at a time of growing controversy in Israel about the rights of the Bedu, many of whom have claimed that they were being driven unfairly off their lands by the Israeli Government without being given adequate compensation.

June poll likely, page 6
Leading article, page 13

Fast asleep



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South African Airways
Where no-one's a stranger

Hostages may be freed by end of week

The 52 American hostages held in Iran for 14 months could be free by Friday if the United States accepts "our just rights", Ayatollah Hashemi Rafsanjani, Speaker of the Iranian Parliament, said. He also said in Tehran that the Americans' freedom might come before the "financial and judicial differences" between the two countries go to arbitration. There was more diplomatic activity in Algeria.

More Ford workers vote for pay deal

Ford workers at eight plants, employing 13,000 of the company's 57,000 work force, voted in favour of accepting the management's "final" 9.5 per cent pay offer, which was rejected by union negotiators. Day staff at Dagenham, usually a good indicator of how the overall vote will go, voted in favour. Much still depends on the militant Halewood plant.

British Airways can borrow £85m more

British Airways is to be allowed to borrow a further £85m to meet its running expenses. The state-owned group believes losses for the year ending in March could be as high as £100m, despite a reduction in capital spending of £150m. The airline's losses for the year to March will be £400m below budget.

Thorn legal threat

France, West Germany and Belgium have been warned by Mr Gaston Thorn, the new President of the European Commission, that legal action would be taken against them if they failed to make their full contributions to the EEC budget. The Commission is backing the European Parliament in the budget dispute.

Prison peace offer

Mr William Whitelaw, Home Secretary, pressed the way towards prison officers' dispute by offering them as much time as necessary to consider a reduction in working hours and payment for meal breaks.

Safety fears for drug wipe £10m off shares

Pisons is to stop the development of a new anti-asthma drug, due next year, because of fears over long-term safety. The stock wiped more than £10m off the group's market value of the pharmaceutical group. Last week the group announced 1,100 redundancies in its fertilizers division.

Labour divisions: Mr Scargill has accused MPs of elitism and of being responsible for party splits.

Poland: Solidarity-trade unionists have threatened to strike after being evicted from the municipal building they had been occupying.

South Korea: President Chun announced that the presidential election would be held next month after lifting of martial law.

Classified advertisements: Personal, pages 22, 24; Appointments, 21; Sale-rooms and antiques, 22.

Home News 2-4
European News 5
Overseas News 6, 7
Appointments 14, 18
Sport review 9
Bridge 14

Leader page 13
Letters: On the Sutcliffe case, from Mr Stewart Fairlie, and others: food exports from the Third World, from Mr P. K. Clarke; Tremlett

Leading articles: Israeli Government in crisis; Mr David Steel's 10-point plan; British Airways' finances

Features, page 7, 12
William Rees-Mogg on the cause of depression in prosperity; Paul Routledge on the background to the seamen's strike

Arts, page 9
John Russell Taylor on Dulwich College Picture Gallery and new shows in London; West End theatre in New York

Sport, pages 10, 11
Football: FA Council abolishes red and yellow cards; Hockey: England lose to Spain in Champions' Trophy

Obituary, page 14
Sir William McCusker, Mr Alec Wilder, Business News, pages 15-20

Stock markets: Equities were weak amid fears of industrial unrest and a sharp mark-down in oils. Gifts showed losses of around 51 after the latest borrowing requirement figures. The FT Index fell 6.1 to 455.1

Business features: Peter Hill on a belated interest in quality control

Features 7-12
Law Report 4
Sport 10, 11
Letters 13, 16
Obituary 14
Parliament 18
Premium Bonds 19
Science 20

Snow reports 11
TV & Radio 23
Theatres, etc 23
25 Years Ago 14
Universities 14
Weather 2

HOME NEWS

Labour meeting fails to end doubts on reselection procedure

By Our Political Staff

Doubts about the procedure to be used by a constituency Labour party when it comes to reselecting or rejecting a sitting MP were not resolved by a meeting of the party's organization committee at the Commons last night.

Mr Eric Heffer, MP for Liverpool, Walton, the chairman, said afterwards that although his committee had passed a proposed amendment to the rules governing reselection, he was not satisfied that the position was clear.

He would consider the matter again and would give his views when the national executive considered the matter at the end of the month.

The confusion involves the division of responsibility between the executive committee of the local party and the larger general management committee, which will have the final decision about the adoption of the candidate.

Some Labour members feared that an executive committee, even if there were other members, would simply decide to back the sitting MP and put forward a "short list" of only the MP's name, leaving the management committee no opportunity to consider other names.

By six votes to five the organization committee last night agreed that a short list of one would be permissible only if no other names were received by the executive committee.

It was being pointed out last night, however, that that would not be the assurance to a sitting MP which the change might imply, because the clause in the rules enabling the management committee at the

final stage to add to the list and to delete the MP's name.

A letter was received from the right-wing Social Democratic Alliance, which was proposed as a Labour organization after its decision to put up candidates at the next election in opposition to following Labour MPs. The alliance sought to appeal against the decision to the special party conference to be held in London on January 24.

The committee decided last night to inform the alliance that that could not be done, because the conference agenda was limited to a decision on methods of electing the leader and deputy leader of the party.

But the committee said it would try to arrange for the appeal to be made to delegates at the annual conference in the autumn.

A subcommittee was set up to investigate allegations that the Electrical, Electronic, Telecommunications and Plumbing Union was seeking improperly to affiliate branches and send delegates to meetings of the Southwark and Bermondsey party.

Mr David Hughes, national agent, reported to the committee that the union had conformed to the party's constitution.

Nevertheless the committee, by five votes to three decided to investigate the matter and the general question of trade union affiliations to local Labour parties.

A complaint from the Southwark and Dulwich party was adjourned. It concerned procedures to be followed before the selection of a candidate to succeed Mr Samuel Silkin, the present MP who has announced that he will retire at the end of the present Parliament.

Block grant system 'arbitrary'

By Christopher Warman
Local Government Correspondent

The new block grant system for financing local government will be more complex and arbitrary than the previous system, it is suggested in an analysis of the effect published yesterday.

The study, by Mr Anthony Travers, of the North East London Polytechnic, shows that some authorities will benefit by overspending while others will be penalized for underspending. The study also shows that some authorities will benefit by overspending while others will be penalized for underspending. The study also shows that some authorities will benefit by overspending while others will be penalized for underspending.

Other councils, such as Cumbria and Lewisham, would receive extra grant support for any additional to their spending over the target.

The result of the differing effects of the new system means that even comparatively thrifty London boroughs like Kensington and Chelsea would suffer considerable grant losses while other councils, which the Government would view as overspenders, would find themselves with bigger grants and a greater incentive to spend.

Bringing massive switches in resources from one part of the country to another, mainly away from London and the big cities, the system would cause immense disparities in rate increases. Rate-bill changes would be more related to the working of the block grant than to decisions of councils.

In the London Borough of Wandsworth, which is Conservative controlled, proposed staff cuts led to a walk-out yesterday by members of the National and Local Government Officers' Association.

From Our Correspondent

Drunk Irish soldiers clashed with the police after being told to quieten down when singing patriotic songs at the top of their voices. It was alleged at a court martial at Tidworth, Wiltshire, yesterday.

Rioting broke out when a military policeman struggled to arrest one of the men. It was alleged that the soldier for dozens of off-duty Royal Irish Rangers to go on the rampage. They joined other soldiers and started a battle in the middle of Tidworth last June, the court was told.

Eleven men from the 2nd Battalion, The Royal Irish Rangers stationed at Tidworth all pleaded guilty to conduct prejudicial to good order and various offences including assault on the police.

The defendants were given sentences of detention varying from 84 days to six months. The court ordered their pay to be stopped until each one had paid £100 compensation. Two of them, lance corporals, were ordered to be reduced to the ranks.

The sentences are subject to confirmation.

The boy pleaded not guilty and lodged a special defence of "impeachment, naming another schoolboy as the person responsible. The other boy, aged 10, said he went swimming that night and was never on the bridge.

Mr Cassidy, of Cardross Road, Greenock, said that one of two boys on the bridge threw a piece of metal, which hit the roof of a train which had just pulled in. He shouted to the boys and almost immediately the brick came down.

He said he did not see the brick hit the woman because the train pulled out, obscuring his view, but when it had gone he saw her lying on the ground bleeding.

Another witness, a boy aged 16 from Greenock, said he had just got off the train and was walking behind Mrs McAlinden.

Mrs McAlinden, who had just got off the train, died three days later in hospital.

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HOME NEWS

Charity loses appeal against VAT ruling

By a Staff Reporter

The English-Speaking Union has lost its appeal against a Customs and Excise ruling that it must pay value-added tax on its 10,000 membership subscription and may take the case to the High Court.

In a judgment announced yesterday, Lord Grantham, president of the VAT Tribunal, said that "with some hesitation" he held the union to be deemed to be carrying on a business and that the goods and services it supplied for its members for subscriptions should be taxed accordingly.

Mr. Frederick Bleasdale, honorary treasurer of the union, said: "We are obviously disappointed. We had hoped Lord Grantham would have accepted that the benefits we provide, if they are benefits at all, are really so small that for this purpose they can be disregarded."

The union, a charity to promote understanding between English-speaking peoples, was appealing against a Customs and Excise decision in 1978 which held that it was a charity for VAT purposes. It had an annual income of about £200,000.

Formerly VAT was not liable for VAT but when we registered as a charity customs and excise ruled that our subscriptions were liable to VAT under the Finance Act, 1972, as amended in 1977," Mr. Bleasdale said.

The case was seen as a test to determine when a charity would be defined as existing for a public benefit and when as a club with facilities for members.

Although the benefits it provides are simply a free issue of a pamphlet and a free of obtaining introductions to other members when travelling, the English-Speaking Union was held to be in the same category as a golf club, Mr. Bleasdale said.

Under the law exemptions can be granted if a body is one with objects in "the public domain" of a political, religious, philanthropic, patriotic or patriotic nature. The tribunal accepted that the union came into that category.

Secondly, it is not treated as carrying on a business if members' subscriptions pay for facilities other than the right to participate in its management and receive reports on its activities. That point was lost by the union.

Mr. Nicholas Hinton, director of the National Council of Voluntary Organizations, said the case was another example of the difficulties charities faced over VAT.

Inquiry will examine why measures to protect heritage are failing

MPs seek reasons for drain on Britain's art

By Frances Gibb

A full-scale inquiry by a Commons select committee is due to start tomorrow into the failure of tax concessions to prevent the loss of a stream of art treasures abroad.

The Leonardo da Vinci manuscript, the Codex Leicester, auctioned in December for £22m, is the latest in a long line of such artistic treasures bound for foreign shores, despite the Government's stated policy that the national heritage should be protected and retained.

Quite apart from whether the Leonardo manuscript in particular should be kept in this country, its sale highlights the dilemma faced by Britain's state-owned art collections.

The fiscal system and inflation have made death for such families crippling expensive. But it is an expense that falls not only on the family. Meeting huge capital taxes leads, more and more often, to the loss of works from an historic collection and a constant chipping away at the national inheritance.

The MPs, under the chairmanship of Mr. Christopher Price, Labour MP for Lewisham West, will examine why, despite measures designed to protect the heritage, more own-

ers are going to auction rather than offering the treasures to the nation in lieu of capital taxes or selling them by private treaty direct to museums.

That has occurred even though such works incur the full rigours of taxation when auctioned, while private treaty sales to museums and galleries are tax-exempt.

At the heart of the problem, so the heritage lobby argues, is a set of complex Treasury rules for the operation of these measures, which are said to be unnecessarily muddled and restrictive for owners and galleries alike, and which further, more recently disclosed, have no statutory basis.

It has been the Government's practice since 1953 to indicate to galleries that when offered a work of art they should offer vendors a 25 per cent capital transfer tax exemption to which they are by statute entitled, the so-called "douceur".

As one civil servant put it: "Perhaps the auction houses talk faster than we do," and it is true that the salerooms' publicity and promotion has attracted vendors who think they will obtain bigger prices than they would elsewhere.

But at the same time, the 25 per cent "douceur" has ceased to be attractive enough to stop vendors going to auction, despite the fact that to match the value of a private treaty sale, owners incurring the capital transfer tax would have to achieve an auction price of roughly four times the private sale figure.

The civil servants, for their part, will say the "douceur" is only a guideline: that any way, valuations can be raised or lowered to reach a 25 per cent figure acceptable to the owner and that if changed to, say, 50 per cent, museums will be forced to pay too much.

The museums themselves will split on a political line on the issue and in the end it will be a political decision among the MPs whether to condone Whitehall control over where museums should draw the line, or leave it to the discretion and business acumen of the museum directors as to what is a fair market price for a particular work.

On the "in lieu" system, MPs will be urged to reconsider the 25 per cent figure, which is said to be a disincentive to encourage owners to offer their heirlooms and pay

their taxes in kind rather than cash: a strong card will be played that only a small proportion of the money allocated by the Government for operating this system has been used.

Also MPs will be pressed to propose a "tax credit" system, which the heritage lobby argues, would have saved the Codex and which under present law is not allowed.

The value of the manuscript was held to outweigh Lord Coke's tax liabilities and he wished to set the balance against future tax debts in a kind of "credit": as proposed two years ago by the Commons select committee on the National Land Fund.

Finally a change will be urged of the rules obliging owners gaining capital tax transfer exemption to make "reasonable public access" to their works.

The success of all those points will depend on how much MPs accept Whitehall arguments that changes mean more money. It will come down to policy: whether the Government is willing actively to encourage owners to offer their heirlooms to the nation and accept there will be selection involved, or take the easier way out, making it less attractive for owners, but simpler for the Government to take the small total that is offered.

US talks on chemical weapons end

By Henry Stanhope
Defence Correspondent

Staff level talks between Britain and the United States on chemical warfare have been completed, according to Whitehall sources yesterday. But they denied a BBC report that the Americans had proposed stockpiling nerve gas ammunition in Britain.

Nor were there any known plans to raise the subject at the meeting of NATO defence ministers in Brussels in May.

The talks opened last year on the initiative of Mr. Francis Pym, then Secretary of State for Defence, who once confessed that he was "hunted by the imbalance in chemical weapons between Nato and the Soviet Union. Recently he indicated his belief that Britain should at least consider building up a retaliatory capacity to deter any wartime gas attack.

The Americans, in sympathy with the British position, have been given to considering chemical stockpiles in the United States and West Germany. They have not been added to since 1963.

The talks have to decide whether to go ahead with a plan in Arkansas to produce the latest kind of binary ammunition, in which two harmless chemicals are mixed to form a lethal gas once the shell or warhead has been fired. This makes the weapons safer to store.

Whitehall sources last night said the objective of the talks had been to re-examine the question of chemical weapons, without making any immediate decisions.

Britain destroyed its stocks of chemical weapons after the Second World War. France is the only Western country, apart from the United States, to retain a chemical warfare capability.

Western intelligence experts believe the Soviet Union is the biggest power to have kept its chemical weapons up to date, ready for use in a wartime role.

At the pre-trial review, the judge, who should normally be the one who was going to try the case, should be satisfied that the case was ready to be tried and that all unnecessary detail was omitted. He could not do that unless he was satisfied that the case was ready to be tried and that all unnecessary detail was omitted.

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How indictments of conspiracy to defraud should be drawn

Regina v Landy

Regina v White

Regina v Kaye

Before Lord Justice Ewton, Mr. Justice Michael Davies and Mr. Justice Bingham.

Because a judge's summing up after a 90-day trial was seriously defective, the Court of Appeal quashed the convictions of three men on charges of conspiracy to defraud. One had been sentenced to five years' imprisonment and the other two to three years.

The court criticized the lack of particulars in the present form of indictment when charges of conspiracy to defraud are brought. It said the need to allow adequate time for a judge to assimilate details for a pre-trial review in a conspiracy case was a matter of importance.

The three appellants were being given for allowing appeals last December by Lord Justice Ewton, Mr. Justice Michael Davies and Mr. Justice Bingham.

Malcolm White, of Wood Knoll Drive, Chislehurst, Kent, and Charles Kaye, of Woodford Road, Woodford, London, were charged with conspiracy to defraud the Central Criminal Court (Judge Abella) of the three appellants on a count of conspiracy to defraud and of 12 counts of conspiracy to defraud.

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it lacked particularity. There was nothing to show how the false representations were made or how the funds were employed to the prejudice of IBBL and its customers or what was the nature of the conspiracy.

Junior counsel for Landy asked for particulars at the beginning of the criminal proceedings. He was told that he would get all the information he needed from leading counsel's opening speech.

Attempts to obtain particulars at the trial were refused by the judge. The judge said that was the answer almost always given by prosecuting counsel.

Particulars should have been given (1) to enable the defence to know the nature of the conspiracy and the nature of the prosecution's case; and (2) to enable the judge to know the ground during the course of the trial and the making of an amendment.

The words "and by divers other false and fraudulent devices" were a relic of the past and should never appear in an indictment.

In criticizing the form of the indictment the Lordships should not be taken to say that particulars of conspiracies to defraud should be set out in the same kind of detail as would be required in a statement of claim in an action for damages for conspiracy to defraud. What was wanted was concise particulars.

The particulars of the conspiracy to defraud could be set out in some terms as: "The three appellants and Peter Lynn, on five days between September 30, 1968, and July 12, 1974, conspired together with the late William Nathan Williams, Joshua Benson and the late Isaac Cohen to defraud such corporations, companies, partnerships, firms and persons as were induced to deposit funds with IBBL ('the bank') by directors who were managing the affairs of the bank."

There were three basic defects in the indictment: (1) causing and permitting the bank to make excessive advances to its parent company, Tel Aviv, such advances being inadequately secured; (2) causing and permitting the bank to make excessive advances to its parent company, Tel Aviv, such advances being inadequately secured; (3) causing and permitting the bank to make excessive advances to its parent company, Tel Aviv, such advances being inadequately secured.

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three particularly Landy, had failed lamentably to perform their duties as directors with the result that IBBL had crashed. Had they been sued in misfeasance proceedings it was probable, indeed almost certain, that judgment would have been given against them. Misfeasance, however, was not necessarily dishonesty. It might be evidence from which dishonesty could be inferred.

The prosecution had to prove a conspiracy to defraud while it was an agreement dishonestly to do something which would or might cause loss or prejudice to another. The offence was not to be minimized in any way. There was always a danger that a jury might think that proof of a conspiracy to defraud was proof of dishonesty.

The dishonesty to be proved had to be in the minds and intentions of the conspirators at the time of the conspiracy. It was not to be inferred from the fact that the conspirators were in the circumstances in which the defendants found themselves was not what the jury had to decide. What was a reasonable man or they themselves would have believed in similar circumstances might be a decision to decide what in fact individual defendants believed or intended.

An assertion by a defendant that throughout a transaction he was acting honestly was not to be accepted but had to be weighed like any other piece of evidence. If that was the defendant's state of mind or might have been, he was entitled to be acquitted. If the jury, applying their own notions of what was honest and what was not, concluded that he could not have believed that he was acting honestly, then the element of dishonesty would have been established. A jury must not say to themselves "If we had been in his place we would have known we were acting dishonestly so he must have known he was acting dishonestly."

A jury could say: "We are sure he was acting dishonestly because we can see no reason why, having the intelligence and experience which would have been appreciated, as right-minded people would have done, that what he was doing was dishonest. That was not a conclusion which R v Feely (1973) QB 530 was to be applied in cases in which the issue of dishonesty arose. It was applied in cases in which the issue of dishonesty was not in issue."

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WEST EUROPE

Mr Thorn threatens 'certain EEC members' with legal action over budget contributions

From Michael Hornsby, Brussels, Jan 12

Mr Gaston Thorn, the new President of the European Commission, today raged himself and his 13 fellow Commissioners unequivocally on the side of the European Parliament in its dispute with EEC member-states over the legality of the Community budget adopted at the end of last year.

In Strasbourg, making his first speech to the Parliament as President, Mr Thorn said that he could speak for each and every member of the Commission in declaring that "we consider both the supplementary budget for 1980 and the budget for 1981 to be legal and hence enforceable".

Three member-states, France, West Germany and Belgium, failed to make their full contributions to the financing of the 1980 supplementary budget when these fell due on January 2. Contributions to the 1981 budget are not due in full until February but France has already indicated that it will not pay.

If certain member-states were found to "have committed irregularities" the Parliament could rest assured that the Commission would "want the situation rectified". Mr Thorn said: "If these states did not comply of their own free will, the Commission would have no option but to take legal action."

The dispute arose last month when the Parliament took advantage of a supplementary budget requested by member-states to pay for aid to the Italian earthquake victims in order to increase spending on regional and social policies this year beyond what had been approved by the Council of Ministers.

The Council then found itself unable to stop this extra expenditure because Britain, Italy and Ireland who all favour more agricultural spending, had enough votes to prevent its rejection. In default of a decision by the Council, Madame Simone Veil, the President of the Parliament, promptly declared the two budgets adopted.

This was seen as sharp practice by the French and Germans and, more surprisingly, by the



Mr Thorn taking the oath yesterday at the European Court of Justice.

Belgians, who generally take the side of the Parliament. Their main case is that supplementary budgets are intended for extraordinary and unforeseen expenditure and not as a backdoor for increasing spending on existing policies.

Mr Thorn did not announce any immediate proceedings against the three non payers, suggesting that he is playing for time in the hope that they will come to a political accommodation with the Parliament.

France appears to be the least ready to compromise. It is thought that President Giscard d'Estaing sees a policy of firmness with the Parliament as a body widely viewed in France as a threat to national sovereignty, as no bad thing in the run-up to the presidential elections.

Earlier, Mr Thorn and his fellow-commissioners, promised before the European Court of Justice in Luxembourg to carry out their functions "in com-

plete independence" from national governments. For Mr Christopher Tugendhat, the senior British Commissioner in charge of the budget who has been widely criticised for summing Mr Thatcher to his aid last week in the fight over the distribution of posts within the Commission, the occasion must have had an special resonance.

Mr Tugendhat was asked to swear that he would "neither seek nor take instructions from any government or from any other body" and to take note of the undertaking given by each member-state "to respect this principle and not to seek to influence the members of the Commission in the performance of their tasks".

In an address to the court after the oath-taking ceremony, Mr Thorn said: "Clearly, to discharge our duties it is necessary that we should at all times act independently. The solemn

undertaking we have given you today is thus no mere formality: it is basic to our office." Independence did not mean isolation, Mr Thorn said. "We must act in due accord with member-states and other institutions." But the Commission intended to "exercise to the full its prerogatives as the initiator of Community action."

"We are a policy-making institution and we mean to behave as one. Let there be no misunderstanding. We will not be content to limit ourselves to the routine management of affairs."

At a time when the EEC was beset by many "testing economic and social problems" one of the main tasks for the Commission was to preserve what had already been achieved. "We must not allow the Community patrimony to be constantly attacked and threatened with erosion," Mr Thorn said.

65 prisoners charged over D'Urso kidnap

From John Earle, Rome, Jan 12

Three magistrates from Rome served arrest warrants early today on 65 prisoners in the Trani maximum security jail in Puglia, charging them with conspiracy and with complicity in the kidnapping of Judge Giovanni D'Urso.

The prisoners are alleged to have been involved in the revolt of December 28, when the ringleaders in a statement identified their cause with that of the Red Brigades, captors of the judge, and stipulated prison reform as a condition for his release.

The new charges, it was stated in judicial circles, were intended to put pressure on the kidnappers, as they went through with their announced intention of killing the judge—their communiqué on Saturday evening spoke of a 48-hour deadline—the Trani prisoners could expect the charges to be amended into complicity in murder.

The Red Brigades today extended the deadline threatening Judge D'Urso with death until tomorrow at 2 pm. Italian television reported. The earlier deadline expired at 6 pm today.

Signor D'Urso's daughter, Lorenza, aged 17, tonight made a television appeal to the Red Brigades and the nation's newspapers to save her father's life.

"Don't kill him barbarically and stupidly," she asked the Red Brigades. "The full and tremendous responsibility for this murder would be yours and also of a very few people, the editors of several newspapers, who for incomprehensible or dreadful reasons have fixed a blackout for the first time in their careers, against my father's life."—Agence France Presse and AP.

In a separate development the Naples public prosecutor issued 29 arrest warrants in connection with a series of terrorist attacks in Naples by the Prime Lines (front line) group between 1977 and last year. Most of those for whom they were issued are already in jail.

Bergamo search: Police in Bergamo today detained Signorina Irene Senzani, the sister of the sister of Dr Giovanni Senzani, for whose arrest a warrant was issued yesterday. (Reuters reports). They searched her house. The Rome public prosecutor maintains that Dr Senzani, a university research worker and expert in criminology, was the go-between who arranged a long interview with the kidnappers that was given to the weekly L'Espresso at the end of December. Since then he has disappeared.

She feared that German tanks could one day be used by the Saudis in a war against Israel and that in any case a sale would endanger the hard-won reconciliation between West Germany and Israel. Referring to the extermination and persecution of Jews in Nazi Germany, she said West Germany could not free itself of its moral obligations to Israel.

Another leading Social Democrat, Herr Hans-Jürgen Tscheneck, a close collaborator of the Chancellor's with excellent contacts in the Arab world, has said the question should be examined "very seriously" in the interests of good relations with Saudi Arabia.

Opposition spokesmen came out in favour of a sale. Herr Hans Dietrich Genscher, the Foreign Minister, is understood to feel that Saudi Arabia should not be regarded as an area of tension.

Bomb charge trial opens in Switzerland

Geneva, Jan 12.—An American woman of Armenian origin, charged with the murder of an Armenian Liberation Army terrorist organization, went on trial here today accused of extortion and illegal possession of explosives.

Suzi Mahseredjian, aged 27, appeared without Alen Yezzi, her 25-year-old Lebanese companion, who lost an eye when a bomb exploded prematurely.

The Beirut-based Armenian secret army, which has already made several attacks against Swiss and Turkish offices in London, Rome, Paris and Geneva, threatened to attack Swiss diplomats abroad unless the two arrested on October 3 were released.

Apart from possession of explosives, Miss Mahseredjian is charged with extorting 10,000 francs (£2,300) from an Armenian living in Geneva.

She said that it "gave a demonstration of its inability and its irresponsibility faced by a situation of which nobody can actually measure the size or the eventual consequences."

The Socialist Journalist Union later put out a statement demanding "the lifting of secrecy" and free access to information.

In another incident, the family of a 40-year-old researcher with the French Atomic Energy Commission (CEA) has claimed she died from leukemia last Thursday after analysing samples of smoke gathered after the explosion of nuclear devices.

The family said that the death certificate of Mme Renée Breugnot states that she died from "a professional disease". The CEA has confirmed that Mme Breugnot died of leukemia and that she worked at jobs in which there was a risk of exposure to radioactivity.

New Tory European group accused of harming party

By George Clark, Political Correspondent

Mr Hugh Dykes, MP for Harrow, East, chairman of the Conservative Group for Europe, today accused a group of 100 Conservatives of being "harmful" to the party by the damage being done to the party by the leaders of the newly formed Conservative European Reform Group. He was speaking on behalf of the CGE.

He deplored the reform groups activities at a time when we need unity and full support for the Prime Minister who has become the dominant personality in European Community politics.

Mr Dykes said he was in favour of an open debate within the party about Britain's role in the EEC but he hoped that the new pressure group would not attempt to mount a campaign against "European-minded" Conservative MPs.

"We hope they will not descend into that kind of arena," he said at a London press conference. "We have noted with interest that they have now backtracked in the clamour for the abolition of the

Common Agricultural Policy after their meeting with the Prime Minister in December. They have had second thoughts, they want improvements to be made within the Treaty of Rome. We welcome that."

Mr Dykes and Mr David Hunt, MP for Wirral, the vice-chairman of the CGE will be seeing Mrs Thatcher on Thursday to ensure her of the group's support for her efforts "to get a commonsense, modernized EEC budget."

The CGE will put forward its own proposals for reforming the CAP.

These are: a price freeze in rapid disposal of existing surplus; including possible sales to Poland; quotas for individual producers in order to deter the creation of surpluses; adjustments to counter to get most of the marginal farms out of production; a review of the export subsidies system; and a three-year target to reduce the CAP's share of the EEC budget from the present level of 70-75 per cent to 45 per cent.

The group is also proposing that Britain should join the European Monetary System.

Sweden's budget allows for £6,000m deficit

Stockholm, Jan 12.—Sweden's centre-right coalition Government today presented a draft budget which allows for a record deficit and a 6 per cent increase in public spending, but said consumption must be cut or the country would run into a crisis.

The Government told Parliament that the deficit for the financial year starting in July would amount to 67,600 million kronor (£6,431m). This is almost 22 per cent more than the estimated shortfall for this budget year of 55,500 million kronor.

The budget deficit for the 1981 year represents more than 11 per cent of Gross National Product (GNP). To stop the widening gap between expenditure and revenue, the Government will have to increase its borrowing at home and abroad to at least 64,000 million kronor.

An economic statement accompanying the budget said the net cost of Sweden's crude oil imports totalled 28,000 million kronor in 1980. This has contributed to a growing balance of payments deficit.

Mr Olof Palme leader of the Social Democratic Party, said the budget showed that the economic policies of the Government had failed and that it was unable to steer the country out of economic crisis.—Reuters.

Libya shuts two Maltese graduate schools

Valletta, Jan 12.—Libya has closed two university-level educational institutions it run for Libyan students here. About 600 Libyan students stopped attending the schools last summer. The closure order arrived last week.

One of the schools was a technical institute for electronics, engineering and medical students and the other was a two-year training institution.

day he asked the court to order the costs of the hearing to be paid by the defendant. He did not challenge the verdict of the court. The ground was that the allegation was not

West German clash over Saudi arms deal rumour

From Patricia Clough, Bonn, Jan 12

A sharp controversy has arisen here as to whether West Germany should sell tanks and weapons to Saudi Arabia.

The Government is believed to be weighing an informal request from the Saudis and considering at the same time dropping its ban on the sale of weapons to areas of tension.

Instead, according to press reports, applications for arms exports should be considered solely in the light of West Germany's national interests.

Herr Kurt Becker said for the Government today that there was at present no application from the Saudis for arms deliveries. He declined to supply.

It has become clear that such a sale would meet with stiff opposition from the Social Democratic Party of Herr Helmut Schmidt, the Chancellor, not only from the frequently rebellious left wing which is opposed to arms exports but also from more moderate members.

Mrau Annemarie Renger, a leader of the party's right wing, said today that she "could not conceive" of the parliamentary party approving such a deal, that the Chancellor would also realize that such a sale could not go through.

She feared that German tanks could one day be used by the Saudis in a war against Israel and that in any case a sale would endanger the hard-won reconciliation between West Germany and Israel. Referring to the extermination and persecution of Jews in Nazi Germany, she said West Germany could not free itself of its moral obligations to Israel.

Another leading Social Democrat, Herr Hans-Jürgen Tscheneck, a close collaborator of the Chancellor's with excellent contacts in the Arab world, has said the question should be examined "very seriously" in the interests of good relations with Saudi Arabia.

Opposition spokesmen came out in favour of a sale. Herr Hans Dietrich Genscher, the Foreign Minister, is understood to feel that Saudi Arabia should not be regarded as an area of tension.

In his speech today, the Pope hailed his native Poland as a strong and united country. "I am the son of a nation which has lived through the greatest experiences of history, a nation which its neighbours have condemned to death on several occasions, but which has survived and has remained itself."—AP and Reuters.

Vatican meeting: The Pope and Dr Billy Graham, the American evangelist, had a long, cordial meeting in the Pope's private study today, Vatican sources reported.

The private audience had been requested by Dr Graham through the Vatican Secretary for Christian Unity. Poland and other world issues and the ecumenical effort were among the subjects covered in the meeting, which lasted nearly two hours.—AP and Reuters.

A-plant resignations demanded

From Ian Murray, Paris, Jan 12

Nuclear workers who are members of the moderate Force Ouvrière union have called for the resignation of the management of France's giant nuclear waste reprocessing centre at La Hague, near Cherbourg, after a fire there last week in a storage silo.

The fire, which was the sixth incident at the factory in the past year provoking a radio-active leak, has seriously alarmed the local community and the work force. There have been allegations that the management has lied about the incident.

A demonstration "to demand the lifting of secrecy on information" at the factory was called by different unions and ecological groups. Next Thursday has been designated as a day of action in many towns round

France to protest at the setting up of nuclear power stations. The La Hague reprocessing centre is an important source of work in the area and until now the unions have given little backing to the anti-nuclear lobby beyond insisting on close consultation on health and safety matters.

The fire, however, has caused a shift in the unions' attitude. They claim that three workers were subjected to radiation because of the leaks following the fire and up to 400 might have been exposed to contamination.

The unions claim that the management has lied about contamination levels; that the actual type of contamination was more dangerous than that admitted; and that a monitoring device which sounded an alarm was switched off because it was thought to be malfunctioning.

The motion calling for the dismissal of the management

Danish criminals kept in near normal environment

Mixed prison experiment defies critics and proves successful

From Christopher Follen, Copenhagen, Jan 12

A remarkable experiment in prison reform unostentatiously celebrates its fifth year of operation tomorrow on the Danish island of Funen. The mixed sex prison at Ringne, near Odense, has proved a great success, defying the many critics who had doomed the project to failure in 1976.

According to Mr Erik Andersen, the governor of Ringne State Prison from its inception, the experiment has proved that it more normal conditions are created in prisons, the inmates behave more normally. "There is no indication that relations between the sexes differ much behind bars from outside in society," Mr Andersen said.

Four of the six blocks at Ringne are mixed. The prison has 70 male prisoners and 20 female inmates—none older than 26. The two sexes are allowed to mix freely with each other both during working hours and in free time. Intimate relations are allowed.

The disparity in numbers between the two sexes reflects the low number of female prisoners in Denmark. There are 135 as opposed to 3,200 males.

The philosophy at Ringne is, in Mr Andersen's words, "personal responsibility and normality". Every effort is made to normalize conditions, giving the prisoners a sense of responsibility, identity and participation.

Every second week prison officials meet each of the prison's six groups to discuss problems which range from requests for probation, improved educational and other facilities, to negotiations on pay and budgetary allocations for each "semi-autonomous" block.

The prison has a library, extensive sports facilities, communal and hobby rooms, and a store where prisoners buy food and drink (an experiment with selling beer had to be suspended) with their 24 kroner (£1.70) daily food allowance.

On top of this allowance, prisoners earn 175 kroner (£12) per week, working an eight-hour day in various workshops, where office furniture and electronic components are manufactured. The prisoners cook their own food, and—as far as is feasible—are encouraged to run their own lives, living in cells which resemble modern hotel rooms.

From 4pm when the working day ends, until 10.30pm, when the prisoners are locked into their cells alone, they are free to do as they like.

"The atmosphere in the mixed blocks is completely different from that prevailing in conventional prisons. Everything is much more free and relaxed," Mr Andersen said. "In no way do we interfere if relationships develop between prisoners of the opposite sex, this way we feel we create a less neurotic prisoners, better equipped for re-adapting to society later."

Each cell door is fitted with two locks, one on the inside and one outside, enabling inmates to avoid unwelcome intrusions. There are a few rules. Visits end at lights-out time, and intimacy must be strictly confined to the privacy of the cell.

Due to the special nature of Ringne prison, Mr Andersen's staff of 70 prison officers (of whom 13 are women) includes 49 specially-trained civilians, known as standard officers, whom he prefers to employ rather than staff seconded from other prisons. Ringne has an officer to prisoner ratio of 0.8, which is high by British standards.

Rather than creating havoc as many critics, including the Union of Danish Prison Officers, foresaw, Mr Andersen claims that his experiment has proved an enormous success and that problems have been minimal.

A survey reveals that while only 29 per cent of the prison staff were positive about the mixed sex experiment when it started, 96 per cent of them now support it, as do 88 per cent of the prisoners.

Female inmates have coped well with the situation, Mr Andersen said. Very few had complained of being subjected to sexual pressures, since the experiment began. Only two pregnancies have occurred (one of which was resolved by the couple marrying), and only one instance of prostitution was reported.

Ringne is basically a youth prison. All the females are serving drug offences, while the males have been jailed for a variety of crimes, three of them for murder.

Each cell door is fitted with two locks, one on the inside and one outside, enabling inmates to avoid unwelcome intrusions. There are a few rules. Visits end at lights-out time, and intimacy must be strictly confined to the privacy of the cell.

Due to the special nature of Ringne prison, Mr Andersen's staff of 70 prison officers (of whom 13 are women) includes 49 specially-trained civilians, known as standard officers, whom he prefers to employ rather than staff seconded from other prisons. Ringne has an officer to prisoner ratio of 0.8, which is high by British standards.

Rather than creating havoc as many critics, including the Union of Danish Prison Officers, foresaw, Mr Andersen claims that his experiment has proved an enormous success and that problems have been minimal.

A survey reveals that while only 29 per cent of the prison staff were positive about the mixed sex experiment when it started, 96 per cent of them now support it, as do 88 per cent of the prisoners.

Female inmates have coped well with the situation, Mr Andersen said. Very few had complained of being subjected to sexual pressures, since the experiment began. Only two pregnancies have occurred (one of which was resolved by the couple marrying), and only one instance of prostitution was reported.

Ringne is basically a youth prison. All the females are serving drug offences, while the males have been jailed for a variety of crimes, three of them for murder.

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OVERSEAS

Solidarity threatens to strike as crisis grows in south Poland

From Dossa Trevisan
Warsaw, Jan 12

Trade unionists in Nowy Sącz in southern Poland have threatened to strike on Friday after being evicted yesterday by the authorities from the municipal building they have been occupying since the beginning of the year. They are members of the independent trade union movement, Solidarity.

They are demanding talks with a government delegation to settle their demands for recognition as well as a purge of people in the local administration whom they accuse of corruption.

Rzeszów, capital of the Bieszczady region, the demonstrators who have been holding a sit-in have now set up a national strike committee addressing a list of 11 demands to the authorities. They want immediate registration of the Rural Solidarity union which yesterday Mr Stanisław Kania, the Polish First Party Secretary, indicated the Government had no intention of doing.

He said it was out of the question for the authorities to tolerate political opposition in the countryside. The farmers of south-east Poland, the region closest to the Soviet border, also demand the disbanding of state agricultural cooperatives, reorganization of the administration and management in agriculture and an end to a policy which favours the state farms at the expense of private farmers who make up 85 per cent of Poland's agriculture.

The first warning came at the weekend when Mr Stefan Olszowski, who is regarded as number two in the Politburo, described the occupation of government premises in several towns in southern Poland as lawlessness and anarchy designed to weaken the authorities by planning social unrest.

He made it clear that in order to pursue the promised reforms the Government needed peace and order and he tried to impress the unionists that it was in their interests to create the climate for the reforms to be implemented.

Police who evicted the demonstrators in Nowy Sącz, according to the official news agency, used the "maximum of tact and patience". This was confirmed by Solidarity and the matter ended without violence.

Nevertheless, it is the first time that the authorities cut short the argument and enforced their will. Already there are signs of a new increase of unrest with the controversy over a 40-hour week, the conflict over the registration of Rural Solidarity and the tendency in some provincial towns by farmers to occupy government buildings.

In Ustronie Morskie, another town in the region, the farmers have been occupying the local government building since the end of last year demanding negotiations with the Government and the registration of the rural union.

They are also demanding revision of government fiscal policy and an end to discrimination against private holdings. The Government has already promised increased investment in private farms and other facilities to the 4,500,000 farmers in an endeavour to put agriculture into some order after almost 10 years of neglect.

On January 29 at the Pilgrims' dinner in London she will make an address on relations with the United States in the traditional context; on February 27 at Georgetown University, in Washington, she will deal with international economic relationships. And at the Donovan award dinner she will speak on East-West relations.

The dates, April 15-19, for Mrs Thatcher's visit to India were also announced yesterday. Mrs Thatcher last met Mrs Indira Gandhi, the Indian Prime Minister, in May last year when they attended the funeral of President Tito of Yugoslavia.

Mrs Thatcher is to receive a private American award for services to democracy and the cause of freedom, it was announced yesterday.

The medal, known as the Donovan award, commemorates the Second World War founder and leader of the Office of Strategic Services (forerunner of the Central Intelligence Agency) Major-General William J. Donovan. It is to be presented at a dinner in New York on February 28, after the Prime Minister's meeting with President Reagan in Washington.

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Worried officials flout traditional values in drive to convert parents to gospel of one-child families
China's rulers determined to slay monster of population growth

"The Chinese by David Bonavia, China Correspondent of The Times, is published this week. This, the second of three edited extracts from the book, is taken from the chapter on population. It examines how the Government has come to accept that there must be limits to China's population growth. This reversal in policy incentives for those who agree to have only one child and stringent measures against those who have more."

The solution of many of China's most pressing problems has created a new monster population growth. Improved medical services, an end to protracted civil war and reasonably stable food supplies have led the country into a demographic crisis, which it must solve in the near future if past achievements are not to be wiped out.

China does not have systematic census figures of recent date. Informed estimates of her population vary between 970 million and 1,100 million.

At a conservative estimate, the population of China today is increasing by roughly 12 million a year—about as many as the entire population of

Australia or Holland. Far from making China stronger in relation to other powers, excess population will keep her perpetually in a backward state if drastic measures of control are not adopted.

Seen from any angle, the problem is frightening. At present, on average, Chinese women bear three children each in the course of their lives. The Party and Government are insistent that this must be brought down to one child. Every imaginable social and economic sanction is being imposed to deter parents from having more than one, or at the very best two.

The plan is to reduce population growth to 0.5 per cent by 1985 and zero in the year 2000. China's population by then should stand at about 1,300 million and some demographers are talking about a negative growth from then on, bringing the population down below the 1,000 million mark again—a project no other country has ever attempted.

Working against the birth-rate planners is an expected baby boom between 1980 and 1985, a result of the similar boom in the late 1950s and 1960s.

Since it is axiomatic that poor people and peasants usually have more children than relatively well-off city dwellers, China is fighting an uphill battle in birth control, for 80 per cent of its people live on the land and are very poor by the standards of the developed world.

But without reducing their birthrate immediately, more and more resources will have to be ploughed back into simply feeding them and most of China's potentially arable land is already under cultivation.

There are, however, some encouraging signs. The national birth rate fell from 23.4 per 1,000 in 1971 to 12 in 1978, a period during which more than 170 million birth-control operations were carried out.

Some Chinese sociologists are worried about the aging of the population which will occur if birth rate is curbed. The planners have no answer to this except to say that the improvements in efficiency and standard of living will make it possible to support an older population.

Strange though it seems, it is only in the past few years that the Chinese leadership has acknowledged the drag which a

growing population exercises on economic development. In the 1950s, a renowned Chinese economist, Professor Ma Yinchu, vigorously propounded the need for birth control; he was fired from his post as president of Peking University as a result and fell into obscurity. (He was rehabilitated in 1979 at the age of 98.)

The Party at the time proclaimed that "people are the most valuable resource". Insisting that improvements in the economy and higher production could support any level of population growth. From the 1960s, considerable attention was given to birth control, but only "in the interests of planned economy" and "to protect the health of women and infants". Birth control was discouraged for several years by the Cultural Revolution and then resumed.

In the late 1970s, after Mao's death, the obvious was at last admitted: Growth of population was bringing to naught all attempts to achieve a faster rate of development and modernize the country.

Professor Wen Yiguan, an economist at Zhongshan University in Canton, sums up the problem succinctly: "Quite a large number of

people in the rural areas still do not have enough to eat, the people's living standards cannot be improved as they should have been, there are tensions in market supply, and the number of people awaiting employment has increased."

Hunger, poverty and unemployment—these are the prices China is paying for the greater security which the new society has established and the consequent surge in population.

Faced with this desperate crisis, the leadership has adopted a policy aimed at making it so unpleasant for parents to have more than two children that most of them will desist, and some as many as possible will be content with only one. The one-child family is being set up as the national ideal, in sharp contrast to the traditional importance which the Chinese have ascribed to having large families, with as many sons as possible.

In the late 1970s, the Party took a big step. Instead of relying mainly on education to bring down the birth rate, it chose to go all-out for a package of arm-twisting measures which will make it almost a crime to have more than two children.

The plan is to bind as many married couples as possible to a vow that their first child will be their last. If they give an undertaking to this effect—or better still, let themselves be sterilised—they will straightaway be given material rewards, and the child will enjoy every benefit the socialist state can supply.

Parents who agree not to have more than one child are showered with encouragements and rewards. Their incomes are raised by about 5 per cent, and they are put high on the priority list for new housing—the extent of giving them accommodation previously reserved for two-child families. This makes the sanction against having a second child doubly severe. There are two-child families given no special priority for housing but they may have to watch as a one-child family moves up the list over their heads and takes what would otherwise have been their apartment. This can only breed envy—and a vengeful malice if the "abstaining" couple then breed a second child after all.

"The Chinese" publisher on January 15 by Allen Lane price £7.95.

US hostages could be set free by Friday, Iran Speaker says

Tehran, Jan 12.—The 52 American hostages in Iran may be freed by Friday if the United States accepts "our just rights", Ayatollah Hashemi Rafsanjani, Speaker of the Iranian Parliament said today.

Ayatollah Rafsanjani also announced that the hostages may be freed before arbitration of "financial and judicial differences" between the United States and Iran. The return of the late Shah's fortune is not included in those differences, he said.

It was the latest in a series of statements by Iranian leaders today indicating, according to observers, that both sides in the hostage negotiations are close.

In Washington, the Carter administration is working on a legally binding plan that calls for the hostages to be freed at the same time that Iran receives the first of three instalments of its frozen assets, informed sources said.

The Americans would be flown either to Westaden in West Germany or handed to the Algerians for temporary custody in Algiers as part of an arrangement which the sources emphasize, does not yet have Iran's approval.

But President Carter took an optimistic view. "It looks better than I can predict success," he said. "That depends on them. We've made them a reasonable proposition."

Iran would recover, in three steps, more than \$12,000m (about £5,000m) assets that were frozen by President Carter in retaliation for seizure of the

hostages and the American embassy in Tehran on November 4, 1979.

The first instalment, the sources said, would be \$2,500m in securities and gold held in the Federal Reserve Bank in New York. The second payment involves about \$4,000m Iran had deposited in subsidiaries of American banks in London, Paris and elsewhere overseas.

The third group of Iranian assets—nearly \$5,000m in American banks—could take weeks to sort out because most are tied up in American claims against Iran.

Mr Behehd Nabavi, the Minister responsible for the hostages, emphasized the need to meet President Carter's negotiating deadline of January 16, four days before Mr Reagan becomes President.

"It is possible that negotiations will not continue or will continue in another form," after Mr Reagan's inauguration, Mr Nabavi said in Tehran.

Meanwhile, Mr Muhammad Ali Rajai, the Prime Minister, called on public and private groups with claims against the United States to notify officials about the matters within the next 30 days. Otherwise, he said, they would be moved as part of the preparations for drawing up the Iranian case for arbitration.

In Algiers, Mr Warren Christopher, the American chief negotiator in the hostages issue, today had talks with Mr Chadli Benjedid, the Algerian President.

Mr Christopher has been in

Algiers since last Thursday and according to an official American spokesman here, still has no plans to return to Washington.

Very little information has been released by either side since the arrival of Mr Christopher who was understood to be meeting Herr Hans Dietrich Genscher, the German Foreign Minister, later today.

Herr Genscher is on a visit here which a German spokesman said had been arranged "since before Christmas".

There was speculation, however, that West Germany, when the hostages are not to be taken after perhaps going through Algiers, might be involved in the reported international guarantees being sought by Iran.

Battlefront claims: Iranian forces routed two Iraqi battalions and captured 41 men in a recent fight on the western front, the official Pars news agency said today (Reuters reports from Tehran).

It said a large amount of Iraqi equipment was destroyed in fighting.

In Basra Iraq's claims to have blunted the Iranian counter-offensive were supported by a display of more than 30 captured tanks.

Journalists also saw 20 more captured M60 and Chieftain tanks.

An Iraqi commander said the British-built Chieftain, capture in fairly large numbers, were good. "It is a real weakness. It just has bad drivers".

Agence France-Presse, UP, Reuters and AP.



Aircraft sabotaged: A wrecked F104 Starfighter lies in a hangar at Munitz Air National Guard base in Puerto Rico after a series of explosions destroyed nine aircraft yesterday.

A separatist movement called the Machete Welders claimed responsibility for the attacks which caused damage estimated at \$45m (£15m). No one was injured by the 12 explosions in which eight F104 Corsair training aircraft and the F104 fighter were

completely destroyed. Two other aircraft were damaged.

Thirteen months ago two United States Marines were killed when a Navy bus was attacked in Puerto Rico. Another bus was ambushed in March but no one was injured. A separatist movement claimed responsibility for both operations. Last week letter bombs were planted in San Juan postboxes and an extremist group claimed responsibility.

Israeli poll likely to be in June

From Christopher Walker
Jerusalem, Jan 12

The Israeli Cabinet decided in principle today to back Mr Menachem Begin, the Prime Minister, in his plan to promote urgent legislation which would dissolve the Knesset (Parliament) and precipitate an early election.

The move was seen as the penultimate step in the slow-motion collapse of the right-wing administration that has ruled Israel since 1977.

It is understood that only three Ministers opposed the early election. Ministers in the morning's specially convened Cabinet session. They included Mr Ariel Sharon, the hard-line Minister of Agriculture, who believes that the Likud Government should try and remain in power to continue its expansion of Jewish settlements in the occupied West Bank.

After today's three-hour Cabinet session, it now seems certain that the general election will be brought forward from its scheduled date in November. Mr Begin favours holding polling day in late June, by which time his Government will have completed four years in office.

The Labour Party, anxious to capitalize on opinion polls showing it winning a sweeping victory, favours polling in late April or early May. It is felt in political circles that June will prevail.

The final collapse of the Government's determination to cling to office was prompted by the resignation yesterday of Mr Yigael Hertz, the Finance Minister, who opposed Cabinet support of a plan to increase teachers' pay by more than 50 per cent.

Immunity lifted: As a parliamentary committee voted today to lift the immunity of Mr Abba Eban, the Minister for Religious Affairs, who has been charged with accepting bribes, the Minister himself questioned whether he could get a fair trial in the prosecution climate (Moshe Brilliant writes from Tel Aviv).

Appearing before the committee, Mr Abba Eban repeated his allegation that he was the victim of a political and ethnic conspiracy.

He is of Moroccan origin while the establishment of the National Religious Party, which he represents in the Government, is of European stock. Mr Abba Eban said he had been framed.

The Minister did not wish draw his earlier request that the committee lift his immunity in court. The request was met by a vote of 14 to four with three abstentions. The vote requires ratification by the plenary and this will be requested tomorrow.

Leading article, page 13

British minister moves to save Namibia talks

From Nicholas Ashford
Geneva, Jan 12

Mr Richard Luce, Under Secretary of State at the Foreign Office with special responsibility for African affairs, flew to Geneva tonight as members of the Western observer delegations were striving to find a formula which would prevent the United Nations conference on Namibia from ending in outright failure.

British officials described Mr Luce's visit to Geneva as routine, pointing out that he had planned to attend the conference at some stage. Nevertheless, his arrival came at a time when the five-nation Western contact group was in need of additional political muscle to overcome the obstinacy—and the obscurantism—of the South African-led delegation.

Turning an almost continuous series of behind-the-scenes meetings late last night and throughout today Western diplomats, United Nations officials and representatives from the black front line states attempted to find out exactly what the South African-led delegation would be prepared to accept as evidence of the United Nations impartiality.

No working sessions of the conference were held today. Various formulas have been put to the South Africans and the internal political parties but none has yet come anywhere near meeting with their approval.

One of the main difficulties is that the South African-led group is seeking a clear demonstration of United Nations impartiality before South Africa and the internal

parties are prepared to accept a starting date for the implementation of the United Nations settlement plan. The United Nations is insisting that no firm undertaking can be given to South Africa until a date is agreed.

We still do not really know what their requirements are," one senior United Nations official said.

Mr Sam Nujoma, leader of the South-West Africa People's Organization (Swapo) said today that from his organization's point of view no progress had been made since the conference began.

Members of the Western observer delegations were less severe in their assessment, but admitted that little had been achieved since the conference began last week. With the meeting due to end on Wednesday the time available in which to work out a compromise is rapidly running out.

Mr Nujoma said that far from South Africa questioning the impartiality of the United Nations it was rather for the United Nations and the international community to demand a demonstration from South Africa that it would act impartially during the proposed elections in Namibia.

He accused South Africa of acting in bad faith since it agreed in April, 1978, to the Western proposals which form the basis of the present settlement plan. South Africa was continuing to detain, torture and imprison Namibians.

Mr Nujoma said Swapo was ready to sign a ceasefire agreement with South Africa and to implement the settlement plan.

Egyptians arrest two Russians on spy charges

Cairo, Jan 12.—Egypt has arrested a Soviet embassy adviser and another Russian on suspicion of spying and spying, President Sadat said today.

The President, who was speaking to a French television interviewer, said a third Soviet citizen had asked for political asylum and Egypt had agreed. A cryptic report about the arrests was distributed earlier in the day by the state-controlled Middle East News agency.

The agency said: "An official of the Soviet trade representation mission has been arrested on a charge of espionage. He was in contact with an Egyptian civil servant with a view to obtaining information."

The President said the trade mission official confessed about one of his colleagues, who was also arrested this morning. The two "were trying to sow sedition among the Egyptian people."—UPI.

Stronger British-PLO ties implied

From Robert Fisk
Cairo, Jan 12

Lord Carrington, the British Foreign Secretary, left Cairo for talks with President Sadat in Aswan this afternoon, apparently convinced that the Palestine Liberation Organization (PLO) represents a large section of Palestinian opinion and that the EEC nations must maintain their contacts with it.

His belief that the PLO shares play some part in a negotiated peace settlement in the Middle East is not new, but his assertion that contacts would be continued with Mr Yasser Arafat, the PLO leader, suggested that Britain may soon create new ties with the Arab organization.

A press conference before he left for the airport, Lord Carrington drew a specific parallel between his own experience in negotiating with guerrilla leaders from Rhodesia (now Zimbabwe) and the PLO's role in Middle East peace talks.

"If there are people who are

representatives of shades of opinion in their countries, then it is sensible to see them."

"I do not believe if I had taken the view during the Rhodesia and Zimbabwe talks that I was not going to talk to people who were behaving in a way that was unacceptable to others... that it would have been possible to get a solution," he said.

It was not the sort of thing the Israelis would want to hear. Nor is the British Government likely to encourage such a policy in relation to the IRA whose activities are a little nearer home. But there can be little doubt that Britain's relationship with the PLO is going to grow rather than diminish in the coming months.

Lord Carrington was less forthcoming about a European initiative on the Middle East, the principal subject of his discussions with Mr Sadat, although he tentatively suggested that the EEC may be able to come up with something helpful "later this year."

He denied that the Europeans had drafted a "formula" for a Middle East peace to replace the Camp David initiative.

Lord Carrington said that he and the Egyptians were "in total agreement" on Afghanistan. The Soviet Union should withdraw all its troops. He said, although Britain wanted "a fair and just political settlement which involves no loss of face to anyone."

Speaking at the end of his visit to Morocco, he said: "I deplore the occupation, if occupation it be, of one country by another."

In an interview with the Cairo newspaper, *Al-Ahram*, Lord Carrington said that the Libyan intervention, far from creating stability, would have the opposite effect.

Tighter grip on Russian bureaucracy

Continued from page 1

been urged to insist that the right to properly safeguard the Soviet administrative machine has also been shaken up. Various ministers and deputies have been retired or shuffled, often after years in the same post, and younger technocrats appointed to junior posts.

More significantly, local party organizations have been going through their records sifting those due for promotion and those elderly bureaucrats to be removed, many of whom have been in their jobs since Mr Brezhnev took over as party secretary 16 years ago.

At the same time political orthodoxy has been tightened. The KGB security police have moved decisively against its main dissidents, they have virtually extinguished all opposition from human rights monitoring groups and other party line has been demanded of writers and creative artists.

Greater obedience to the party line has been demanded of writers and creative artists and they have been roughly treated. The press and party activists have been ordered to strengthen their propaganda work.

All this has given an impression of revolution, which has done well with the large number of people who look back with nostalgia to earlier harsher years when authority was more formidable and discipline more respected. Law and order in its broadest sense have become a prime concern of many ordinary Russians.

At the same time this "spring cleaning"—which includes washing an increasing amount of dirty party lines in public—is essential in establishing the right atmosphere for the party congress, an important affair that will set the country's political, economic and ideological guidelines for the next decade.

Thanks to President Brezhnev's greatly improved health, the Soviet leadership has begun to show itself more often and more forcefully. Mr Brezhnev has given some hard-hitting speeches about consumer shortages and ministerial shortcomings. The people have been reassured that their leaders are in touch and are responsive to the complaints and needs of ordinary people.

Western observers maintain that much of this is superficial. They say that the priorities have not really altered, and the appearance of concern at the top has not led to noticeable improvements for the consumer. Nor is it likely to.

Cold threatens the old

Many old people endanger their lives unwittingly. They cut back on heating to save money for food, and "typhothermia"—the unnoticed slow fall in "inner body temperature"—that contributed to the death of an estimated 20,000 old people last winter.

It will injure and cause people to die again this winter unless something is done.

For far too many old people exist in damp, chilly rooms. They become so used to hardship that in their loneliness they often fail to notice that they have become even colder—until it is too late.

Help the Aged is doing its utmost to provide one of the much needed answers: many more Day Centres, where old people find warmth, friendship and low cost meals. Help the Aged also pioneer volunteer minibuses transport to take the frail and housebound to centres.

Please help rescue one potential victim: a gift of £15 is a real help towards a Day Centre. £60 provides two fireproof chairs, or help for a Geriatric Medical Day Hospital. £25 provides a continuing daily place for someone in a mobile centre. £150 perpetuates a loved name on the Dedication Plaque of a Day Centre.

ITALIAN EARTHQUAKE. Victims of disaster still in terrible plight. Funds needed for experienced relief workers on the spot. Send to Italian Earthquake Appeal at address below.

Please use the FREEPOST facility and address your gift to: Eon. Treasurer, the Rt. Hon. Lord Maybray-King, Help the Aged, Room T3, FREEPOST 30, London W1E 7JZ. (No stamp needed).

مكتبة من الأصل

OVERSEAS

North Korean leader is invited to visit Seoul for unity talks

From Jacqueline Reditt

Seoul, Jan 12. President Chun Doo Hwan of South Korea today invited President Kim Il Sung of communist North Korea to visit Seoul and said that he would visit North Korea at any time if invited.

The invitation for talks on the unity of the two countries was made in the President's new year policy statement.

He also announced that South Korean presidential elections would be held in February and not March and that martial law would be completely lifted before the elections. Elections had been brought forward because of a restoration of political stability.

A ban on all political activity was lifted today after being imposed by the martial law command following an uprising in the southern town of Kwangju last May.

The President's invitation to North Korea is an attempt to restore mutual trust between the two Koreas which have been divided since the bitter three-year, fratricidal war 30 years ago.

President Chun extended his invitation "without any condition attached", saying that he would guarantee President Kim's personal safety and all possible cooperation.

President Chun said that "it

is the paramount national task to reunify our homeland".

Although reunification of the two Koreas has been South Korean policy since the first South-North talks were initiated in 1972, this is the first time a South Korean President has issued a direct invitation to President Kim.

Observers here see it as a bold attempt to revive contact between the two nations and to improve South Korea's image abroad, especially among the non-aligned nations. Over the past year relations between the two Koreas have deteriorated.

In 1980 there were six attempts at armed infiltration by North Korean agents. The North broke off talks calling President Chun's regime a "military fascist group" and increased propaganda attacks against the South in radio broadcasts and by loudspeakers across the Armistice line.

President Chun also announced that parliamentary elections, originally scheduled for late April to May, are to be brought forward by one or two months.

On foreign policy, President Chun said the Government intended to improve relations with non-hostile communist countries and non-aligned countries, irrespective of their different ideologies and socio-political systems.

He emphasized the need to develop the friendship between Korea and the United States into a "mature and intimate partnership" and called for cooperative relations on a broader perspective with Japan, where relations have been severely strained by Japanese demands for the release of the South Korean dissident, Mr Kim Dae Jung.

He was sentenced to death for sedition and pro-North Korean activities and is still awaiting the result of his appeal to the Supreme Court. Six main parties are expected to put up candidates in the coming presidential and general elections. The Democratic Justice Party will represent the Government and has asked President Chun to lead the party and stand as its presidential candidate.



President Chun: giving his new year policy statement

Terrorist organization is smashed, Ankara says

Ankara, Jan 12.—Police said today that they had smashed a banned left-wing organization, which had claimed responsibility for most street shootings in Ankara during the past two years.

A statement said that 204 members of the Dev-Yol organization, including 24 women, had been arrested in the past three months, shedding light on 25 murders, 25 armed attacks, eight robberies, 18 bombing incidents and several arson cases.

Dev-Yol, one of the most effective extremist groups in Turkey, tried to lead a popular uprising to establish a communist order.

Military authorities said two weeks ago that they had detained about 30,000 political extremists since the military coup in Turkey last September. The arrested Dev-Yol members were said to have run legitimate businesses in Ankara, which had been used as a cover for other activities.

In Ahizab, a village near Ankara, officials said they had discovered a list containing the

names and addresses of all Dev-Yol members. A second list with the names of 3,000 intended victims was also found.

A large quantity of weapons, including several Soviet-made machine-guns, and large amounts of cash were confiscated during the raids.

Dev-Yol and its sister organization in Istanbul, Dev-Yol, are thought to be responsible for hundreds of political murders in Turkey. The country's military leaders have sworn to remain in power until terrorism is rooted out.

Zia ul-Haq, President Zia ul-Haq of Pakistan flew in to Turkey today for a four-day state visit. He is the first head of state to visit Turkey since the military takeover.

President Zia is expected to discuss the Pakistani proposal for talks between Pakistan, Iran and the ruling party in Afghanistan, aimed at a negotiated settlement of the Afghan crisis, which would include the withdrawal of Soviet troops.—Reuter and AP.

Former Premier of Malaysia has operation

From Our Correspondent

Kuala Lumpur, Jan 12.—Tunku Abdul Rahman, the former Malaysian Prime Minister, is recovering in hospital after a successful operation to remove an infected gall-bladder.

A spokesman for the Malaysian state and leader of the military said today that the former leader was operated upon last night and was expected to remain in hospital for 10 days.

The Tunku, who will be 78 next month, entered the hospital last Wednesday after complaining of a stomach upset. He has been in good health in recent years and continues to be active in Muslim missionary work.

He retired as Prime Minister in 1970, after having held that position since Malaysia attained independence in 1957. He was Chief Minister for two years before that and negotiated independence from Britain.

After retiring from politics in 1972, he became the first secretary-general of the Islamic Secretariat, based in Jiddah.

Pakistan court sets aside 'anti-national' conviction

From Our Correspondent

Islamabad, Jan 12.

The Pakistan Supreme Court has set aside the conviction and 12-year prison sentence of a Karachi man who was found guilty five years ago of anti-national activity by allegedly seeking to establish metropolitan government for Karachi. This was held to be an attempt to bring about the secession of Karachi from Pakistan.

The charge accused Mirza Jawwad Baig of attempting to "revive the Mogul Empire and capture the crown in the good old traditions with the imperial capital at Karachi instead of Delhi".

He was arrested in Karachi in November, 1974, at a time when, under Mr Bhutto's rule, the Government suppressed an anti-Government movement

supposed to have been initiated by Urdu-speaking people who came to Pakistan from India after partition in 1947. Mr Baig was convicted by a single-judge special court in March, 1975.

Mr Baig's appeal against his conviction was rejected by a two-member bench of the Sindh and Baluchistan High Court. He appealed to the Supreme Court and was ordered to be released on bail in October, 1976.

The Supreme Court, upholding Mr Baig's appeal against his conviction, stated that the two courts which convicted him "gave free play to their imagination and in a criminal trial and appeal made a comparative study of institutions and governments in other countries without receiving such material as evidence".

Fashion by Suzy Menkes

Penelope Keith can make a sandwich look funny. We sat in the gaping stalls in a break between rehearsals, while she stabbed the air with her lunch, giving half a French loaf a mischievous new meaning.

But then Penelope Keith, in real life as on the stage, is a very funny lady. She also looks, to the manner born, like the characters she creates. I have always been struck by how perfectly she is dressed for the parts she plays on stage and on television. In previous decades, when an actress's appearance was created, on and off the boards, by her pet designer, you would put it down to one creative genius. Today, as I suspected, it depends on her own instinctive feel for what is right for the part.

"With most of the women I have played, clothes help so much to set the character," she explains. "People only laugh when they feel secure, and if you can present yourself so that people instantly feel confident about the type of person you represent, you are half way there. It is often a question of instinct. For Sarah in *The Norman Conquests* we found a wonderful dress, blue with mock pearls, and I suddenly had a strong feeling that she was the sort of woman who would wear white shoes with it. It worked so well, that when I came on stage people laughed."

Penelope Keith creates next week a new middle class heroine involved in that most tragicomic bourgeois dilemma: moving house. The audience who see her walk on in a nice green tweed waistcoat and skirt in Stanley Price's *Moving* at the Queen's Theatre, will never realize the thought and work that goes into creating a stage wardrobe.

"I do feel strongly that even when a part requires many changes of scene, I shouldn't appear in totally different clothes," says Penelope. "In this play we are trying to get the sense of a woman who hasn't much money, so she must be seen in the same clothes more than once. We've got round it by mixing and matching the clothes just as women do in real life. That's why I nearly always wear my own shoes on stage. There is nothing worse than having a down-at-heel character who crosses her legs and shows a price label on her shiny new soles. And if you look at *To the Manor Born* you will notice that Audrey appears again and again in the same outfit. After all, she's supposed to be absolutely penniless and I felt that she would have just a few good clothes left over from her days as lady of the manor."

Audrey fforges-Hamilton has always seemed to me so impeccably right for the part, that I find it difficult to imagine exactly where Audrey ends and Penelope begins. She admits that her own wardrobe identifies most closely with *To the Manor Born*. So perhaps, does her life, which is set in a large country house in Surrey which she shares with her dog and her policeman husband Rodney Timson.

When we met, on a freezing day, Penelope Keith was wearing her walking-the-dog clothes—thick tweed trousers, roll-neck sweater, a stout navy Guernsey, and a warm padded coat ("that offer from *The Sunday Times*," I'm a great mail order shopper").

Her husband likes her in classic clothes and her own skirts and sweaters are bought, like Audrey fforges-Hamilton's, mostly from the fashion floor at Simpson's. ("We did buy a whole wardrobe for Audrey where-as poor Margot in *The Good Life* was dressed by endless trips to that first floor at Harrods"). At home she wears a lot of trousers especially jeans, but she tends to make more of an effort when she is coming to London.

"You know, when I was a child, I lived in Clapham, and my grandmother always used to dress to go 'up West' to Selfridges. Now Roddy has got me doing the same thing. One day he was



Above left: Penelope Keith dressed up for her public in a draped jersey evening dress trimmed with punched "suede" by her favourite designer Ann Buck. She likes jersey dressing "because they are easy clothes that you can fling into a suitcase without crushing them and they flatter you but don't overwhelm you."

Left: Penelope Keith as herself, arriving at the stage door in her mail order padded coat, warm trousers, flat shoes ("bought in Fortnum's sale") and a capacious carpet bag.

Photographs by Donald Cooper

"Just recently I've been lucky enough to win rather a lot of prizes" (including BBC TV, personality of the year). "The awards do use up my wardrobe, but luckily I'm a hoarder with a cupboardful of long dresses, so I just try and keep in mind what I wear when so as not to appear in the same outfit too often."

The only really glamorous evening outfit Penny Keith possesses is a wondrous black taffeta gown splashed with scarlet roses by the couturier Franka ("I was working with Ava Gardner and she told me I must go there"). That dress was for the Royal Variety Performance, but her evening wardrobe mostly comes from Ann Buck, whose gentle, draped silky jersey dresses, trimmed with leather and suede, she finds practical ("and they aren't the kind of dresses that take you over").

"The first time I went on Parkinson, I picked a stunning pink creation," she says. "I can't tell you how wonderful I looked walking down those steps. For the rest of the programme I looked as though I was sitting in a pink tent, with just my little face and neck sticking out."

Her face, as she is the first to admit, is not her fortune, although it is so wonderfully mobile and expressive that no-one could study her long enough to decide whether she has the perfect profile. She feels that her lack of conventional looks is probably a help when playing her character comedy parts. For her new play, her hair is cut short and worn quite straight.

"Because I am no great beauty, I don't mind what my women look like as long as they are right for the part," she says. "I just don't have that vanity of a beautiful woman. I see other actresses sitting in front of a mirror deciding which is their best side and saying how terrible they look in that hat. But it simply doesn't bother me."

Although Penelope Keith was deeply involved with rehearsals for *Moving*, which is



Above: Penelope Keith dressed in casual separates for her new role in 'Moving'. Designer Alan Tagg has picked mainly the neutral colours she prefers and includes a Baccarat tweedy outfit and many interchangeable separates. Because the role calls for lightning changes,

wardrobe mistress Janet Macklam has replaced all the regular fastenings of buttons and zips with velcro. But it is nothing, says Penelope, compared to her part in Donkey's Years which required "getting in and out of a black suit inside an 18 inch wide cupboard in twelve seconds flat".

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the erratic Miller.

William Rees-Mogg on the theory of business cycles in the economy

The cause of depression in prosperity

The upswing of the cycle prepares for the downswing...
it is therefore deflation rather than debt-building
which points towards the restoration of future prosperity



Seamen listening to speeches in Dover Town Hall.

Why seamen are going all out for the money

When the shipowners gathered to meet the media on the eve of the seamen's "guerrilla" strike, there was only one veteran who could call on first-hand experience of the shattering 47 days of 1966.

He was Mr John Whitworth, deputy director general of the General Council of British Shipping, who recalled in a tiny imitation Scots accent what it was like dealing with the then general secretary of the National Union of Seamen, Mr Bill Hogarth. Every time

FACTS OF THE SEAMEN'S DISPUTE

The NUS claim, lodged September 19, 1980, was for a substantial increase in basic rates; the "efficient service" pay of £5 a week to rank for overtime and leave pay; and an increase in the overtime premium rate. The final offer of the General Council of British Shipping, due to be withdrawn at midnight tonight is:

1. An increase of £6 to £70 in the basic weekly pay, of qualified seamen;
2. Ordinary overtime rate increased to £2.05 per hour;
3. A new enhanced overtime rate of £2.44 for hours worked on Sundays;
4. Other rates of pay and overtime to be increased proportionately;
5. Enhanced overtime rate to be payable for Saturday and Bank Holiday overtime worked from January 2, 1981;
6. A detailed survey under Acas auspices on the nature and extent of ratings hours "with a view to establishing data which would facilitate consideration of this aspect of employment conditions in the future". To be completed by the end of 1981 if possible.

There are 29,000 ratings in the United Kingdom merchant fleet, working on nearly 1,200 ships with a total deadweight tonnage of 36 million. The fleet is "rich in high technology" and the average age of vessels is about seven years. But over the last three years nearly 350 ships have been sold or scrapped.

The employers' union, the NUS, says that the response was "Can we not have a wee bit more?"

The same salami tactics are being employed to some effect by the NUS negotiators this time round, but Mr Whitworth discerns "a difference, and a major one". He went on: "In those days, there was a wide-spread feeling among ratings that they were getting a raw deal and this was expressed in resolutions carried by acclamation at their conference. On comparability levels, their position was not a good one. I think today their total earnings level is a very favourable one, and I don't believe there is a widespread feeling of grievance among seamen today."

That view from St Mary Axe, the City headquarters of the shipping employers, is now being tested on the quayside.

The dispute is about money: how much the industry can afford to pay, and how the pay packet should be made up. The employers' argument is that wages are cutting the industry's competitive edge, and that even the "final" offer of 12 per cent will take its toll in lost jobs and shirers. They point to pay rises totaling 14 per cent over the last three years,

during which period one-fifth of the United Kingdom fleet has been sold or scrapped at a cost of 8,000 officers' and ratings' jobs.

Faced with determined pressure from the NUS, the employers first conceded a 9 per cent increase, but then a settlement would accelerate the decline of the merchant marine. Then it was edged up to 9½ per cent, and finally to 10½ per cent. The seamen went to ballot with an executive recommendation to reject, and in a 45 per cent poll, the offer was thrown out by 7,339 votes to 5,635.

Enter Acas, left, and after three days in the Page Street greenhouse the employers were ready to move on the final and most contentious aspect of the claim—overtime rates. The device of a new enhanced overtime rate for Sunday work pushed the offer up to 12 per cent, but this was not enough to satisfy the seamen and their negotiators walked out to step up their hitherto sporadic action.

The NUS simply does not have much faith in the shipowners' arguments over ability to pay. Drawing on the evidence of shipping company shares, the seamen argue: "It seems clear that the profitability of the shipping industry in 1980 should be better than in 1966. Shipping shares have risen by eight per cent against the FT all-share index. They quote an optimistic forecast for profits from influential analysts Phillips and Drew, and a Shipping Analyst report that, first-half profits for 1980 will be 10 per cent up with markets firm despite fuel costs and the strength of sterling. But it is not just a matter of how much, but also how it shall be paid. The seamen contend that overtime has been systematically cut since the last pay settlement by about six hours a man, so that even if it was attractive on other grounds, the enhanced overtime device would not actually guarantee higher pay for every rating.

By their calculation, qualified seamen presently earn £11.97 for an average 66-hour week, whereas the average for all manual workers is cited as £11.10 for 45 hours. On this basis, the NUS calculates that seamen work 47 per cent more hours for 31 per cent less pay than their shore-based comparators.

It is through this statistical jungle that the Acas conciliators were attempting to hack a path when the seamen's leaders, evidently decided that heightening confrontation would yield better results than conciliation. The employers point to the union's reluctance to hold a secret ballot for a national strike as support for their view that the men do not want an all-out conflict. The union counters: "We learned lessons in the 1966 strike, and we believe this form of industrial action is more effective than a national strike as such." And as even the union officials privately concede: "We shall see."

Paul Routledge

Labour Editor

In the Anniversaries of 1981 (January 5) the date of death of Louis Augustus Blount, should have read 1881, that of Picasso's birth October 25, 1881, and that of Carle's death February 5, 1981. The play *The Rosemaid* in Britain, mentioned in the Review of the Year (December 31, 1980) is Howard Brenton, not Edward Bond.

Throughout the history of the study of economics economists have concentrated on subjects of immediate importance. In periods of deflation and high unemployment, they have developed employment theories. In periods of inflation they have developed monetary theories. It is therefore natural in 1981, with the severe world recession, that there should be renewed interest in the theory of business cycles.

Between 1945 and 1973, the experience of business cycles was of such a mild character that there was only moderate interest in the theory underlying them. For the most interesting theoretical discussions, we have therefore to look back to work done before the Second World War and, in particular, to the work of the German-American economist, Joseph A. Schumpeter, who published his classical work on "Business Cycles" in 1939.

Schumpeter's work has the merit of being historical in character and avoiding a simple single theory of the causation of business cycles. He recurred to the question of business cycles in his *History of Economic Analysis*, which was published after his death in 1952. He regarded cycles as having both monetary and what might be termed 'real' causes. The monetary analysis of the business cycle was principally developed by the Austrian school of von Mises and von Hayek. It was also developed in the United States by that very great economist, Professor Irving Fisher.

Fisher's monetary theory is the simpler of the two and chiefly rests on the undoubted fact that in a period of prosperity debts are accumulated, which eventually reaches a point at which the liquidation of debt becomes inevitable. The Fisher cycle is like a pump in which debt and deflation represent the two strokes of the

piston. The debt builds up to a point at which it cannot be sustained; the deflation restores the conditions in which further expansion is possible. There are three points to note. The upswing of the cycle prepares for the downswing, and vice versa. It is therefore deflation, rather than debt-building, which points towards the restoration of future prosperity. Both processes are self-correcting. Both unfortunately have a tendency to overshoot.

The Austrian theory is more sophisticated. At the beginning of a period of recovery, the banks are very liquid and therefore lend money at low interest rates. This leads to extra investment in plant and equipment because the margin between the cost of capital and the profitability of investment is abnormally high. As the liquidity of the banks is drawn down, interest rates rise and the rate of investment falls. At that point recession intervenes in order to restore the equilibrium between interest rates and profitability.

If the balance between return on capital and interest rates is the control system of expansion and contraction, the levels of interest rates are particularly significant. High government borrowing pushes up interest rates, and excessive expenditure can, in these circumstances, help to cause recession.

The "real" explanations are not very far from this. They also tend to concentrate on the characteristic fluctuations of the purchase of plant and equipment; it is the capital goods industries which tend, though not uniformly, to suffer most in a depression and it is the recovery of the capital goods industries which most surely marks a real revival of prosperity.

Whether this is seen as a monetary cycle which controls the level of spending on capital goods, or an independent cycle of demand for capital goods, does not greatly matter, as it is clear that the two theories are compatible with each other. Any theory has to have some monetary component and some real component if it is not to overlook some of the observed facts.

Perhaps the key sentence which explains the formation of business cycles is that of the nineteenth century French economist, Clement Juglar, who wrote "the only cause of depression is prosperity". All business cycle theories depend on this idea of a phase of prosperity which overshoots, reaches a crisis at its climax and is followed by a phase of liquidation in which the excesses of various kinds, monetary and real, are corrected. Prosperity exaggerates; it exaggerates interest rates and debts and wages, and demand for

capital goods; it exaggerates prices; there comes a time when "la comédie est finie".

What we lack in 1981 is a reconciliation of the theory of business cycles with post-Keynesian monetary theory. Whatever Lord Keynes may have intended, post-Keynesian monetary theory and the actual monetary conduct of governments has largely been designed—with perhaps too much success—to eliminate depressions. British governments, until the present Conservative Government, have mostly felt that their selection depended upon the unbroken maintenance of prosperity. In British economic policy, the doctrine of unbroken prosperity was enshrined by the wartime White Paper on full employment. But if you succeed in eliminating the corrective process of recession you perpetuate the process of exaggeration; you build up the explosive power of the cyclical climax.

In the post-war period the exaggerations have taken somewhat different forms in different countries. In some it has been industrial relations, in others inflation, in others foreign debt which has run out of control. But a prolonged period in which all the pressures run in one direction not only creates economic distortions, but a strong expectation that the distortions will go further in the future. This has applied particularly

to the world wide expectation of inflation.

If the causes of depression are the distortions produced by prosperity, then the better the success in maintaining an unbroken prosperity over a long period the more serious the depression that is likely to follow. The greater the boom, the greater the slump. Only when the elements of distortion and overshoot in this long prosperity have been corrected, will the ground have been laid for the next cycle of recovery. Policy ought therefore to accept the cycle, but to try to reduce the overshoot both of boom and slump.

Unfortunately, we also have to contend with the short-term cycles of democratic politics. Politicians cannot survive depressions. If we take American evidence, the President in office in 1929 was defeated in 1932. The party in office in the recession of 1974 was defeated in 1976. The President in office in the mild recession of 1980 was defeated in a landslide. There is no lack of similar evidence in other countries.

There is therefore little risk that governments will fail to try to smooth the course of recessions, and a much greater risk that they will try to prevent any correction to the prosperity. Their electorate naturally prefer it in this light that we should see the problems of the Thatcher Government. The business cycle is in a phase of depression, but the distortions produced by the long post-war boom have by no means been eliminated from the British or the world economy. Mrs Thatcher is concentrating on the distortion rather than the depression; she is probably right to do so, but her failure to limit public borrowing has been the great weakness of her government's policy.

Bernard Levin

Is that a libel hanging on your wall?

It sounds like one of A. P. Herbert's *Misleading Cases*, but there are those, I feel, for whom it may be no joke. At last, somebody has been done for libel over a painting. The said libel was contained in a work by a Mr George, entitled "The Mugging of the Muse", which portrays a partly-clothed young lady being sex upon with knives in a dark alley by two assailants bearing the lineaments of two of the artist's fellow-painters, Messrs Siani and Silberman, who proved, at any rate to the satisfaction of the jury, that the picture implied that they were "violent criminals or at least artists intent on murdering art".

Peace, peace, dear office lawyers: all this happened in far-off New York, though if it will make I am perfectly content to add that I take no sides in the matter, offer no opinion on the justice of the verdict or the closeness of the alleged libel, and for that matter express no view on the appropriateness of the damages of \$30,000. All I want to say, really, is that the case does undoubtedly open up new vistas, and jolly ones, at that.

I suppose the oddest vehicle for a libel hitherto known was the open visiting-card left at Oscar Wilde's club by the "screaming scabrous Marquess". To Oscar Wilde, it read, "posing as a sodomite". (That spelling of the fatal word was the Marquess's own; no doubt the state of rage he was in made him careless. I have always wondered about the phrasing: why "posing as"? Could it be that even Queensberry feared to go all the way to the direct accusation? Anyway, the ball porter, as we know, put the card in an envelope and gave it to Wilde when he arrived; the evidence at the trial was that the porter did not understand the words but sensed that they would be better concealed. (A dozen or so years ago, by the way, I mentioned a card and the action of the club servant in something I was writing, and blow me if history didn't tip-toe in with her own visiting-card I got a letter from the daughter of the ball porter in the case.)

I think that Mr Georges, the unsuccessful defendant in the

American case, has improved on the Marquess's notion: libel by painting is a most strikingly original idea, particularly since this one was genuinely pictorial, as opposed, say, to a representation of a brick wall bearing graffiti, or a portrait of a contemporary. That is understandable, but a pity; the Royal Academy's Summer Show would surely have been brightened by, say, a huge Ruskin Spear (and he would certainly have been the fellow to do it), entitled *Lord's Bravely, Kagan and Plundered, Together With Sir Eric Miller, Get Up To An Immense Amount of Financial and Other Mullerkey While Sir Harold Wilson and Lady Falkenberg Fall To Their Subsequent Surprises, To Notice Anything Going On*.

Cartoonists and caricaturists, of course, have commented adversely on their adversaries since their art was invented; but these I classify, even the greatest of them, as the pictorial equivalent of journalists, indeed of very columnists, whose job it is to criticize these in public life who demonstrate by their public activities the need for criticism of them. (No, madame, the Raphael Cartoons in the Victoria and Albert Museum are not a series of biting comments on the author of *The Glittering Prizes*.)

I have never believed that Cowell told me to put in all the names (we have only Horace Walpole's word for it, and that old fribble would much rather have told a false good anecdote than repeated a true bad one), and I am quite sure that he did not mean it even if he said it. Let me, of course, put in the warts, at least the big one in the centre of Oliver's forehead; he took care, however, to make it look odd but distinguished, not disgusting. Today, Lady Babalacksheep may tell Mr Vincent Cusno to paint her just as he sees her, but I dare say that what she means is that she will be much obliged if he will endeavour to make her look indistinguishable, at least in the light, from the Rokeby Venus, or Miss Anna Ford, and although milady may be disappointed if the result is closer to the truth than she would wish, she would have genuine ground for a solicitor's letter if, though she has been in the picture, she has been in the opposite direction and made her

assortment of alleged naughty persons a-mollocking when the subkind is out, but it is noticeable that these are always past sinners, artists customarily having been seized with discretion when it came to portraying the warts among their own contemporaries. That is understandable, but a pity; the Royal Academy's Summer Show would surely have been brightened by, say, a huge Ruskin Spear (and he would certainly have been the fellow to do it), entitled *Lord's Bravely, Kagan and Plundered, Together With Sir Eric Miller, Get Up To An Immense Amount of Financial and Other Mullerkey While Sir Harold Wilson and Lady Falkenberg Fall To Their Subsequent Surprises, To Notice Anything Going On*.

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Jan van Eyck's Arnolfini Marriage: a suitable case?

look like—well, well, we don't want to set off the litigation ourselves, do we? The greatest missed opportunity for a lawsuit over a painting is surely Mr Giovanni Arnolfini (nee Cenami) v Jan van Eyck. See could have taken him to the cleaners (or perhaps the lawns) for a long time. I agree that the picture is of the couple on their wedding-day, yet the merest glance at it makes clear that the artist has painted the lady to look as though she has been in the picture for about eight and

a half months, a fact to which even the little dog in the foreground would testify, and if van Eyck had tried to maintain that the whole thing is an optical illusion caused by the way she is holding her bunched-up skirt it would only have increased the damages.

All in all, I think I prefer the legal risks of the writer's trade to those of the painter's. If I say of a politician that he bears a marked resemblance to a pig, a rat and a weasel, and that in view of what I know about his character I am not in the least

surprised, the only question for the jury will be whether it words are fair comment on matter of public interest. If I painted the politician similar and they also had to decide what the picture was supposed to convey, it would keep lawyers in cream buns for centuries. The justices of the American Supreme Court would be well advised to lay in a stock of headache-powders, as well as pencils, against the day when Siani and Silberman v George reaches them.

Times Newspapers Limited, 19c

LONDON DIARY

Will Sir Richard win the Surrey gold cup?

Londoners will know tonight the result of the contest for the richest, land development prize currently on offer anywhere in Europe—the £150 million contract to transform the redundant Surrey Commercial Docks, a mile downstream from Tower Bridge.

At this late stage all the smart money is going on Sir Richard Siefert, the prolific and maligned architect who gave birth to Centre Point and the National Westminster Tower. The Siefert consortium, known as Lysander Estates and also involving Costin Construction, Phoenix Assurance, Lazard and Seif, a French construction company, is the clear favourite among the four serious bidders left in the race.

I gather it has been a close contest between Lysander and the second favourite, a consortium headed by Associated Dairies in which Mrs Shirley Williams and John Silkin, a former Labour planning and local government minister, have an interest. Lysander is said

to have beaten its nearest rival by a nose, because it is regarded as offering the more financially viable of the two schemes.

It is certainly the more grandiose. The Siefert men propose a vast exhibition centre, more than half a million square feet of offices, a large shopping centre, hotel and 250 houses, all set about with greenery and water. The rival ASDA consortium has criticised the Siefert vision as being simply a random collection of single-site large developments thrown together and presented as a total urban plan.

The ASDA architects have gone for smaller-scale development, or what they call "fine-grained planning", with low-rise buildings, smaller shops, pubs, workshops and offices, with the intention of creating what they see as a town within a city. But I must be fair to Sir Richard Siefert before he is maligning any further. When I first unveiled his plans in this space last November, his son John told me that, in spite of his firm's reputation for high-rise monsters, their Surrey Docks scheme envisaged no building higher than five storeys. "Every scheme has to be tailored to its surroundings. In the docklands we have plenty

of room and this is a very low density scheme," Siefert junior told me.

Two other contenders for the contract, one led by MAB Holdings, a Dutch company, and another involving a consortium of British Home Stores and Water, the builders, are now apparently out of the running.

Southwark Council's planning and development committee will formally reach a decision on its meeting tonight, and it will be confirmed by the GLC's policy and communications committee at its meeting tomorrow. The timing of the announcement is significant: it shows that neither Southwark nor the GLC has any intention of waiting until the Urban Development Corporation begins operating later this year. The corporation could reasonably claim to have some say in the future of this, perhaps the most valuable piece of real estate in Europe, as it lies within its recently designated boundaries. But it will now have to accept a fait accompli.

How valuable the site is a matter of conjecture. Although it is referred to in convenient shorthand as a £150 million project I shall merely remind you that the Thames Barrier was described as a £170 million

scheme when the first sod was dug in 1974. It was last seen rushing headlong towards £800 million, and even that figure will be out of date by lunch-time.

An inappropriate error mars the 1981 edition of the Catholic Directory for England and Wales, which states: "Cardinals are priests of outstanding piety, judgment and ability, who rank as Princes of royal blood."

A perfect pitch

There is a glimmer of hope that London's South Bank complex Two miles upriver, may shortly have a restaurant worthy of its artistic, cultural and recreational position. The catering contract for the Royal Festival Hall and its associated concert halls has been with King and Brymer, nowadays a subsidiary of Trust House Forte, since 1951. Now the Greater London Council has advertised for fresh tenders.

The South Bank caterers have to run a canteen, several bars and coffee bars, two artists' bars, a number of recreation rooms, and must be able to

provide meals for conferences attended by up to 3,000 people. The turnover is more than £1,000,000 a year, but at present little of that is contributed by what should be the most beautiful restaurant in London, the



provide meals for conferences attended by up to 3,000 people. The turnover is more than £1,000,000 a year, but at present little of that is contributed by what should be the most beautiful restaurant in London, the

Riverside restaurant "in the Festival Hall, overlooking the Thames".

Concert-goers have long since ceased to remark to each other, gazing down into the refulgent pink wasteland during the intervals, how empty it always is. Sometimes there are not even any waiters in sight, all hope of any customers apparently having been abandoned. Recently a special ticket has been introduced, offering a cap price seat in the auditorium and a dinner for just £10, but many tables remain empty.

None of the guide books recommends the Riverside, but Egon Ronay says he did inspect it recently. He found the food "not inedible, just very mediocre". What excites him the future is that the GLC's advertisement speaks of the possibility of "physical alterations to the layout of the restaurant and other facilities".

The place has a superb position and absolutely amazing potential, most particularly for lunch even more than for dinner. Ronay says: "With its colossal height it could be as beautiful as the Four Seasons restaurant in New York, which is just as high. Instead it looks like a glorified canteen, so over-

whelming it is quite deflating to anyone who goes in". As it happens the Riverside has been deputizing for the Shell Building's restaurant at lunch time lately.

The size of the South Bank's catering operations obviously limits the number of companies which can hope to challenge King and Brymer for their position, but anyone with ideas has to have them in by February 15.

Flights of fancy

I am aware that members of the House of Lords are often accused of being unworried. But I did not fully appreciate quite how detached peers are from this earthly everyday life until, in addition through the current edition of the bulletin put out by the House of Lords library, I discovered that among the list of publications available to peers "on request" is *The Flying Saucer Review*.

A quick check confirmed that this journal of sightings from other worlds is also available in the Commons library. I can only conclude that those members of both Houses who are in Parliament who despair of the present Government's fixed, economic orbit are scanning the heavens for

inspiration and a possible saviour from another planet, in the absence of any obvious card on this one.

Game losers

I hear that even the Royal Family is feeling the economic chill. Pheasants shot on the Sandringham estate by Prince Philip, Prince Charles and Prince Edward in the past week are fetching only £2 per bird in the shops, which makes them up cheaper than last season's bag.

Royally-killed pheasant is just one more example of a British export industry which has collapsed. The Italians and the Spaniards have flooded Europe with game, destroying our once-lucrative market in France. Still, their birds don't have the same class, do they?

I wonder if this week's news that British Airways is expected to make a loss of £60 million in the current financial year has anything to do with the room number of the treasurer's department in the airline's offices at Concorde House, Heathrow? It is R101.

Alan Hamilton



New Printing House Square, London, WC1X 8EZ. Telephone: 01-837 1234

A GOVERNMENT THAT HAS FAILED

It is scarcely surprising that Mr Menachem Begin should have clung to power in Israel for as long as he has. His election victory four years ago had—appropriately enough for a man so wedded to biblical truths—something of the miraculous about it. Mr Begin had always been on the margin of Israeli politics, never at the centre. Suddenly, at a critical juncture in Middle East affairs, he was given control of the state he had served for so long and which he had helped to bring into being by running a campaign of terrorism against the British in Palestine.

Four years on, the right-wing Likud coalition over which Mr Begin has presided is a discredited political force. The Prime Minister himself is an old and sick man. Judging by recent opinion polls, the Likud's chances of re-election are slim, and Mr Begin's own chances of again achieving high office must be rated even slimmer. The roots of public displeasure lie in the Government's failure to tackle Israel's economic problems. When the Likud coalition came to power in 1977 it inherited a number of economic headaches from the Labour administration, including what was thought of at the time as an unacceptable annual inflation rate of 35 per cent. Yet under Mr Begin inflation has roared ahead, and is now nudging the 140 per cent mark.

Successive Finance Ministers, of whom the latest is Mr Yigael Hurwitz, have tried and failed to get to grips with the problem. Mr Hurwitz took over with a reputation as a tough entrepreneur who would bring his aggressive business style to the nation's economy. His resignation over teachers' pay, which has precipitated the political crisis, is very much in character.

MR DAVID STEEL'S DECALOGUE

There are two ways of judging Mr David Steel's ten-point programme for economic recovery: as an economic strategy for the country or as a political statement designed to provide common ground on which politicians of the centre could unite. It amounts to a policy of economic intervention without significantly increased public ownership, and of modified reflation. Mr Steel argues for close cooperation between government and industry along the lines practised in France, Germany and Japan; for a long-term incomes policy, "which relates wage increases to economic success"; for partnership in industry and greater help for small businesses.

All of this is familiar Liberal doctrine. Some of it is sensible, though not of central importance to the running of the economy. Other items, such as the proposal for a long-term incomes policy, are of major significance but undesirable. At the same time Mr Steel wants to take some steps to reflate the economy by permitting some expansion of the public sector borrowing requirement—though the latest figures are very high—and reducing minimum lending rate by three points. Some reduction of interest rates over the next few months will certainly be necessary, but the Government will have to take great care not to allow this to become a general movement to reflate inflation.

Most people will be looking at this statement less as an economic document to enlighten the Treasury than as a political move to encourage Mrs Williams, Dr Owen, Mr Rodgers and like-minded right-wingers to break away from the Labour Party. Mr Steel denied at his press conference yesterday that he had produced the statement as the basis of a pact with the Labour dissidents. Nothing so formal is envisaged at the moment. Mr Steel does not even know yet whether there will be enough dissidents to justify such an arrangement. But he may well conclude that potential dissidents will look more favourably on the possibility of life outside the Labour Party if they believe that the centre ground is occupied by kindred spirits.

Up to a point this must be true. But one should not exaggerate the contribution that the Liberals can make at this stage to encouraging a social democratic breakaway. Any potential defectors will be wanting to hold the allegiance for the next election of "errand" Labour voters. They will be wanting to claim that they are

The Begin Cabinet decided, by a clear majority, to accept the findings of an independent inquiry into teachers' pay which had recommended rises of between 30 and 60 per cent. That kind of award, Mr Hurwitz felt, is precisely what Israel cannot afford.

It is doubtful whether any Finance Minister, however astute, can in fact solve overnight the endemic problems of the Israeli economy. As Mr Milton Friedman discovered when he was called in by the Begin Government to offer advice, the kind of prescriptions Mrs Thatcher found persuasive in Britain—including cuts in public spending and the attendant risk of unemployment—are politically unacceptable in Israel.

As the Zionist homeland, Israel has an obligation to absorb as many Jewish immigrants as wish to live there, and the provision of housing and jobs on a large scale can only be achieved at considerable cost to the state. Moreover, since Israel feels surrounded by several aggressive Arab states, defence spending is correspondingly high and now accounts for some 30 per cent of the Gross National Product.

There is of course no guarantee that a different Government will be any more successful on the economic front. But the Israeli public clearly believe that some body else should be given the opportunity. Above all, perhaps, there is a suspicion, tending in some cases to a certainty, that the Begin administration has continued to print money—and to rely on American financial support—in order to stay in power for as long as humanly possible.

Mr Begin himself, after all, is a man of powerful political vision. What he fears above all, and wishes to postpone if not prevent, is the return of a Labour Government committed to undoing much of what the Likud has set out to do in the territories occupied by Israel in 1967. The future status of the West Bank and the prospects for Palestinian self-government there, are at the heart of the current impasse in the Camp David peace process. Mr Begin earned his place in the history books by signing the Camp David treaty with Egypt in the first place. But he has subsequently proved an obstacle to progress over the West Bank, which he regards as biblical lands to which the Jewish people have a just claim.

The Labour Party, led by Mr Shimon Peres, has stopped short of promising to dismantle the Jewish settlements built in what Mr Begin refers to as "Judea and Samaria". But Labour takes a much more flexible line than the Likud, and favours various imaginative ways forward, including a federation with Jordan, a concept which may prove acceptable to the new Administration in Washington.

There is of course an outside chance that Mr Begin will be able to carry on. Constitutionally he can do so until November. He could, for example, persuade Mr Hurwitz and his tiny Rafi Party to continue supporting him, thus preserving the Likud's slender majority in the Knesset.

Yet the strain of holding together a hodge-podge coalition of warring factions and personalities has already led to a series of Cabinet crises, and the Government's authority has been further undermined by several political scandals. An early election will come as a relief not only to the Israelis, but to all those concerned to see further progress towards peace in the Middle East. Whether the Labour Party will gain a clear enough majority to govern without the kind of coalition-policing which has bedevilled Mr Begin is, however, another matter.

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the true inheritors of the Labour tradition, and they will consequently be shy of being discovered in a Liberal embrace. A number of the potential defectors have in fact already made it absolutely clear that if they break from Labour it will not be to join the Liberals or a new centre party.

What might happen after the next election—especially if there were a reasonably strong representation of Liberals and social democrats who had broken with Labour—is of course quite another matter. But for the moment the most constructive contribution that the Liberals could make if they are to further this process would be to offer an electoral pact. Anything which helps potential defectors to believe that if they do break away they will still hold their seats in Parliament would make them more likely to take the risk. They know that it would be a gamble, but no politician wants to commit professional suicide. It remains doubtful whether the pressure of opinion within the party will permit Mr Steel to offer the electoral pact that he would obviously like. But this is what the potential defectors most want from the Liberals. Agreement on specific policies would become relevant later.

sors in this matter? Standing in his way is the risk of confrontation with the unions, the potential loss of millions of that most perishable of commodities, the airline seat, and an even more alarming financial deficit to be made up by the taxpayer. Yet the fact remains that British Airways' staff numbers must be reduced to something more like those of the United States airlines, such as Delta, which still return profits despite the poor conditions through which the industry is passing. The merger is essential to obtain the economic benefits which size can bring, but to revive staff loyalty and enthusiasm, the monolithic structure into which the airline has solidified should be subdivided into a number of smaller profit centres. It is only by employing radical measures that Britain's flag-carrying airline will avoid the final approach to bankruptcy in 1981 which, according to Mr Knut Hammarskjöld, director general of the International Air Transport Association, will be brighter "but only because 1980 was such an unprecedented and deep trough".

the unique character of this townsite was precisely the reason it was included in the "outstanding" conservation area around Southwark Cathedral. It would be more profitable for the Maritime Trust to explore other havens for Discovery elsewhere on Southwark's riverfront. A short distance eastwards is the Bay's Dock. Beyond is St Saviour's Dock, which could berth Discovery and half a dozen other vessels. It would be sad indeed if, in protecting one part of London's maritime history, another equally evocative element in that heritage should be needlessly destroyed. Yours faithfully, BOB SMYTH, Members' Room, London Borough of Southwark Town Hall, Peckham Road, SE5.

Food exports from the hungry

From Mr P. K. Clarke
Sir, Indeed, as Melvyn Westlake writes in *The Times* (January 8), there is a deepening food crisis in the developing countries. He did not point out one cause of this, namely the drain of food to the "North" from Third World countries experiencing endemic malnutrition.

Last year, despite food shortages, ships departed from East Africa laden with maize for European pigs. In Brazil, the production of beans, the staple protein food for the poor, has dramatically dropped. Farmers are now growing soya beans to be exported for cattle food.

If we do have to import foodstuffs from food deficit areas, may I propose a surcharge be levied on all of these food imports? The surcharge will relate to the lost opportunity of attaining food self-sufficiency and security and will be paid into a special fund for promoting agricultural development in the home sector in the developing countries.

Yours faithfully,
PETER K. CLARKE,
Crislie Farm Cottage,
Peables,
January 10.

European visa delays

From the Consul General of the Federal Republic of Germany
Sir, I have read with interest Dr K. V. Wilkes's letter of January 8 in which he complains about delays in the handling of visa applications by West European Consulates, including that of the Federal Republic of Germany.

I regret, as every one would, that due to political circumstances beyond our control it is still considered necessary to have a visa if you want to travel from West to East and, consequently, from East to West. And I am sorry that a visitor from an East European country obviously was not satisfied with the way his application was being dealt with. But unfortunately, some time is needed for the formal procedure that has to be followed. I can assure you that our staff are doing their best to make things go as fast as possible.

In the case mentioned by Dr Wilkes I would like to put certain facts right. The application, dated December 5, was received by mail on December 8. But as the forms were not completed and the passport was not enclosed, the application could not be dealt with immediately. More than one week later the passport was submitted so that the formal procedure could start. Despite the holiday period around Christmas, on January 6 the visa was ready for collection. I do not think that this was too long a delay.

While I do not want to comment on the general remark about the "space with which East European countries deal with West European applications, I wish to point out that my personal experiences have been different.

Yours faithfully,
H. A. von F. HIR,
Embassy of the Federal Republic of Germany,
23 Belgrave Square, SW1,
January 8.

Hard choices on defence

From Mr Michael James ap John
Sir, Wing Commander Derek Dudley Martin (January 9) asks why it is necessary to give military rank to, among others, doctors.

Perhaps one answer is to be found in the history of the Crimean War, before and during which it was not considered necessary for a medical man to exercise military authority.

Yours faithfully,
MICHAEL JAMES AP JOHN,
5 Church Lane,
Loughton,
Milton Keynes, Buckinghamshire.

From Mrs Edna Walton

Sir, As one of those who emerged from our shelters and ran down to the Harbour in Valletta in 1941 to cheer the arrival of the naval squadron I should like to record that it was not, as Mr Robert Moss writes (January 8), the music of the Royal Marines that attracted us but the thought that the convoy was bringing food. In fact I believe the ships brought mainly anti-aircraft ammunition, and we were no less thankful for that. Yours faithfully, EDNA WALTON, Mollena, Swan Lane, Burford, Oxfordshire, January 9.

Hot under collar

From the Reverend C. E. Leighton Thomson

Sir, This starchy problem of clerical collars is no laughing matter. Mine returned from the laundry like a boiled egg, soft in some places and hard in others.

In desperation I turned to my friends. A judge asked passing them to a firm in Glasgow. A Commander in the Royal Navy generously shared his secret of a little mink in Scotch. The results are hopeful but 39p per laundered collar is almost 50 per cent of the purchase price.

Could not some enterprising diocesan committee convert a disused church into a laundry specializing in the cleaning of ecclesiastical apparel? Who knows, the church might collar the market. Yours truly, LEIGHTON THOMSON, Old Church House, 4 Old Church Street, SW3, January 8.

Sticky business

From Mr P. W. Gofton

Sir, There is one thing worse than having to remove a sticky price label from an intended gift. It is succeeding in removing said label only to reveal a lower price indelibly printed on the article itself. Yours faithfully, PETER W. GOFTON, Flat 117, 55 Park Lane, W1, January 7.

Press coverage of Sutcliffe case

From Mr Stewart Fairlie
Sir, *The Times* is to be congratulated on its leading article (January 7) on the Sutcliffe case, as is Lord Rawlinson on his letter on the same subject (January 7).

I, and other Scottish editors to whom I have spoken in recent days, have seen and heard with growing disbelief:

1. The police expressing understandable and yet totally incautious delight at Mr Sutcliffe's arrest.
2. The broadcasting of an interview with neighbours of a man not at that time officially named let alone charged, and also details of his home circumstances; and
3. The publication by at least two newspapers of a photograph of Mr Sutcliffe.

There is little doubt that had the proceedings come under Scottish jurisdiction on retribution would already be on the way to the offending members of the media in the likely form of a charge of attempting to pervert the course of justice or (in the third case) contempt of court.

The Lord Advocate has repeatedly warned in meetings with various sections of the Scottish newspaper industry in the past year of the perils of publishing information which may prove prejudicial to an accused person.

Significantly, he has also warned that the police must take great care to ensure that no information published could rebound to the prejudice of a person ultimately accused of a crime under investigation. A police officer who conveyed prejudicial information to the press could possibly be charged with attempting to pervert or interfere with the course of justice.

Members of the Guild of British Newspaper Editors (Scotland) have broadly welcomed the Lord Advocate's positive approach to the problem, although fears have been expressed that his guidelines to the police could have the effect of reducing the legitimate information to journalists.

Yours faithfully,
STEWART FAIRLIE, Editor,
The Oban Times,
Oban,
Argyll,
January 8.

From Mr W. S. Greenwood

Sir, The television and Fleet Street coverage of the arrest of Peter Sutcliffe must have raised the eyebrows of many regional newspaper editors brought up in fear of the laws of contempt of court. For many years they have diligently, and sometimes over-zealously, struck background material about the accused out of reports of arrests.

(January 7) seems to indicate that no law, let alone the Contempt Bill now before Parliament, can satisfactorily deal with all the potential problems of prejudice to a fair trial. Nearly all the previous statutory restrictions on reporting have been found to be anomalous and imprecise. It is impossible to legislate

Israel's strategic value

From the Chairman of The Zionist Federation

Sir, Hisham Sharabi (article in *Europe*, January 6), like many proponents of the Arab cause, is standing events and reason on their heads in trying to convince us that peace in the Middle East and the West's interests are hinged on the Palestinian question and the Arab-Israeli conflict.

An example of his flawed argument can be seen in his reference to Russia's aims in the Gulf and in Syria. If, as he claims, Russia would not risk a confrontation with the USA in the Gulf, where the prize of supremacy is oil with the enormous economic and political advantages which inevitably go with controlling this vital commodity, why would she risk the risk confrontation in the Israeli-Syria arena where her advance would be checked primarily by Israel's own strength and determination, and where the prize of success is inevitably of a speculative nature?

While it might be true that the Arab-Israeli conflict has enabled the Soviet Union to gain influence (if

for every news situation that can arise. Only a voluntary adherence to the principle of not assuming guilt merely because a person has been charged can really be satisfactory.

Having said this, it is sometimes difficult to follow the logic of some points raised in the current outcry. Mr Thomas McNally, MP, for instance, deplores the naming of Peter Sutcliffe once he had been arrested. How can this possibly injure his fair trial? His name will, in any case, be known to any jury that tries him and was, in fact, known as soon as he appeared before the justice. And even your own leader attacks the police for saying that they were absolutely delighted.

It follows that the police will be delighted if they think they have caught a murderer. If they did not think so they would not have arrested him, nor would he have appeared in court. But the police confidence cannot mean that the accused person is necessarily guilty. That is for the jury to decide.

Yours sincerely,
WALTER S. GREENWOOD,
Chairman,
Law Examinations Board,
National Council for the Training of Journalists,
Carlton House,
Epping,
Essex,
January 7.

From Mr Tom Shields

Sir, Your leading article published today (January 7) and headed, "The right to fair trial" is an object lesson in hypocrisy. You state that it was apparent on Sunday night that a charge was imminent and acknowledge that the risk of contempt had clearly begun from that moment. Nevertheless on Monday the front page headline in *The Times* read "Ripper squad suspect faces serious charge".

The article which followed contained a statement from Mr Grezory, the chief constable of West Yorkshire, reports of the relief felt by other senior policemen and even interviews with the arresting officers.

The implication of this article was abundantly clear and any lingering doubt would have been dispelled by the cross-reference at the bottom which read, "Years of terror, page 2". Page 2 contained a review of the current state of the law, which was the subject of police investigation.

In short the decision facing you on Sunday night was no different on the question of contempt than that which faced other editors on Monday night. The mere fact that you decided to show discretion 20 hours later when others continued to publish is no reason to point an accusatorial finger or to feel that, as Lord Rawlinson has said (January 7), you remain loyal to old-fashioned ideals.

Yours faithfully,
TOM SHIELDS,
Brick Court,
Temple, EC4,
January 7.

Yours faithfully,
GEORGE TREMLETT,
Housing Leader's Office,
The County Hall, SE1,
January 6.

Canterbury tale

From Mr Christopher Gay

Sir, Mr Jack Lonsdale's compilation of the anniversaries of 1981 (January 5) reminds us of the death of John Lonsdale, who died on the previous day of Archbishop Simon of Sudbury.

Sudbury, it will be recalled, was held responsible as Chancellor for the hated poll tax and was not saved from a public and informal execution by the insurgents ever seen guarded by men at arms in the Tower.

As Archbishop of Canterbury he is remembered with thanks as a great builder. Not only was the stupendous task of rebuilding the medieval nave put in hand as a result of his energies (and his own generous financial contributions), but also he generated a new era of civic building, including the magnificent Westgate and Holy Cross Church now appropriately the City's headquarters.

Each Christmas Day the Mayor places a commemorative wreath on Archbishop Sudbury's tomb. This year, 600 years after his death, there will be a number of events in Canterbury (notably a cathedral service on June 13) at which we shall remember a remarkable man.

Yours faithfully,
CHRISTOPHER GAY,
City Chief Executive,
Canterbury City Council,
Canterbury, Kent.

In the slightly later light

From Mr B. D. Kaulan

Sir, Alas, Margaret R. Leigh (January 5) is running at least a couple of decades slow in her notion of when the American work day begins. Most executives (and other office workers) that I know seldom reach their offices nowadays before 9.15 or 9.30 and, often, their starting time has begun creeping perilously close to 10 am. But I would not attribute this to breakfast television. If anything, the sheer monotony and predictability of morning television in the United States may be a factor in encouraging working people to leave home earlier than they otherwise might.

Yours faithfully,
BERNARD D. KAPLAN,
European Correspondent,
The Hearst Newspapers of America,
55 rue Pergolèse,
Paris 16e, France,
January 7.

A world of difference

From Mr Michael Milbourn

Sir, What must be (so far) the quote of 1981, attributed to Sir Peter Cadbury: "If anyone thinks £75,000 is a lot of money, he must be in a different world". Yours faithfully, MICHAEL MILBOURN, Field House, Ware Road, Watford, Hertfordshire, January 8.

Issues of Kilner House squat

From the Leader of the Housing Policy Committee, GLC

Sir, No one should be under any illusion that all the squatters who occupied Kilner House, about whom you wrote in *The Times* on January 6, were homeless people deserving of public sympathy.

Back in November, 1977, I authorized an amnesty for all people then squatting in GLC property. Some 5,000 squatters, occupying 1,750 council houses and flats, responded to the amnesty. Many were housed either in the property they occupied or in property elsewhere representing a take-up of some 80 per cent.

At the same time as the amnesty I also made it plain that thereafter the GLC would stomach no further squatting in its property. Since that time we have seldom had more than 400 properties squatted, but to contain squatting at that level a full-time staff of four has had to nip new squats in the bud.

Some 2,500 properties have been cleared of squatters and as at October 1980, with under 200 dwellings so occupied, the problem had largely been contained.

It was in October that this squat at Kilner House was organized. The premises were broken into late at night, while the night watchman was having a cup of tea, and an entry into the flats was forced.

The squatters then announced that they had taken possession of the premises in order to impede the GLC's sale of these flats, which were largely earmarked for council tenants elsewhere who wish to purchase a flat of their own.

It transpired that the leaders of the squat were Mr Piers Corby and the Susan Masters, well known political activists in London, who already happen to be council tenants. When the matter came to the High Court we found that the squatters (who had found themselves witty and amusing identities) were largely students from abroad, so few of whom could speak English that four translators had to be employed to take evidence.

It was also emphasised, both in court and in publication, that the GLC issued the squatters, that the purpose of the squat was to oppose the sale of council houses and that the squat had been organized on the very day the 1980 Housing Act had become law.

It will be no surprise to those who note the direct link between the London Labour Party is moving to observe that the Kilner House squat had the support of Lambeth Labour Council, Mr Stuart Holland, MP, the Vaughan Labour Party, local council members, the Lambeth Tenant Council and the local teachers' organization.

This background needs to be stated so that your readers can see why we insisted on gaining possession of these flats. The rule of law, and the 1980 Housing Act is law, and must be seen to prevail in this land.

Yours faithfully,
GEORGE TREMLETT,
Housing Leader's Office,
The County Hall, SE1,
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THE TIMES

BUSINESS NEWS

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LAING
make ideas take shape

Living standards showing sharp rise but national income down as profits fall

By Melvyn Westlake

Living standards for many people in Britain began to rise sharply again in the last summer and early autumn last year, although the overall income of the nation was declining. The major casualties of this trend were companies which suffered a further overall fall in profitability.

Government figures published yesterday show that personal disposable income rose in the third quarter compared to the previous three months.

Personal disposable income is a rough yardstick of living standards. The rise in the third quarter came after a very slight decline in the previous three months and an historically unparalleled rise of about 14 per cent in the two years 1978 and 1979, taken together.

The 2 per cent rise in the July-September period is the first since the start of the year. It is also the first rise in real national disposable income. This is similar to developments in 1978-79 when the rise in living standards was nearly twice the rise in real national disposable income.

Yesterday's figures show a rise of about 4.5 per cent in wages and salaries during the third quarter, before allowing for inflation and tax. This came after a rise of 5 per cent in the second quarter.

The latest increase in the wages and salaries bill would have been higher if there had

not been a significant fall in employment. In particular, there has been a sharp contraction in employment in manufacturing which dropped 3 per cent between the second and third quarters of last year.

The rising level of unemployment probably also means that the growth in real personal disposable income became increasingly uneven. The economic recession and the rising level of joblessness may also have been a factor encouraging people to save more of their disposable income.

The volume of consumers' expenditure was little changed in the third quarter after the sharp fall in the April-June period.

The result is that the proportion of income being saved appears to have reached a record 15.7 per cent, compared to 15 per cent in the April-June period.

For some time, there has been a steady rise in this savings ratio. One explanation for the latest rise may be that households have simply not adjusted the level of their expenditure in line with recent pay increases.

In contrast, to the rise in wages and salaries, companies in the industrial and commercial sectors saw their profits fall in the third quarter by about 4.5 per cent, after allowing for stock appreciation.

This is a bigger fall than first

thought. The drop in the profitability of industrial and commercial companies before making any allowance for stock appreciation was about 12 per cent.

When North Sea oil profits are excluded, the net fall is about 8 per cent in the third quarter and nearly 10 per cent in the second and third quarters together (compared the previous six months).

In real terms, profitability has been very weak for a considerable time. Even in cash terms, net profitability was lower in the third quarter than it was five quarters earlier.

Even the companies engaged in North Sea oil and gas production have seen less buoyant profits in 1980. After steadily rising since 1975, the profits of these companies fell by six per cent in the third quarter. This was the result of a decrease in both the volume of oil and gas sold and in the average price which the companies have been paid for their oil.

The fall in volume resulted from continuing maintenance work on the platforms, whereas the decrease in price arose from the appreciation of sterling against the dollar, at a time when oil prices, in dollar terms, were relatively stable.

However, over the six months to September, profits of North Sea oil companies rose by seven per cent, compared to the previous six months.

Table, page 18



Mr. Moon: state funding to end this year.

Cash doubts halt new engineering training

By Patricia Tisdall
Management Correspondent

The Engineering Industry Training Board has suspended plans for new training courses until the issue of how they are to be funded has been resolved.

In a letter to employers, Mr. Joseph Moon, the EITB's director, says he is unable to follow the customary practice of announcing forthcoming training plans.

The letter comes after a House of Commons statement by Mr. James Prior, Secretary of State for Employment, in November announcing a shift to voluntary training arrangements. The 24 industrial training boards have since been told that state funding of their operating costs would be reduced by 25 per cent from April and would cease altogether by 1982.

"It is clear from a letter recently received from the Manpower Services Commission that boards should plan on the basis of public funding of operating costs ending at December 31, 1981," Mr. Moon says.

The EITB, one of the largest of the boards, already has cut its staff by more than 250 jobs and is forecasting a further 751 over the next two years. Salaries account for about half its £5m operating costs.

The boards are facing a struggle for survival. Employers have said they cannot support the boards once exchequer funds are withdrawn, and many larger companies which undertake their own training, are indifferent to the problem.

Mr. Prior has said the government is unwilling to increase the public limit of 1 per cent of payroll on the statutory levy other than by affirmative resolution of both Houses of Parliament—a procedure which the boards believe is unrealistic for them to implement in the time available.

The only hope lies in the sector by sector review of each of the boards which Mr. Prior has asked the Manpower Commission to complete by early June.

A review is intended to identify the sectors which would benefit from the continuation of a statutory training board and the scope of those individual boards should continue. Mr. Prior stressed that only a few statutory boards will be retained.

He is to seek immediate powers under a short Employment and Training Bill to be introduced in parliamentary session to wind up boards.

Fisons withdrawal of anti-asthma drug cuts £10m off shares value

By Andrew Goodrick-Clarke
Financial Editor

Fisons, the pharmaceuticals manufacturer, is to withdraw its most promising new drug as a result of what the company last night called "an unsatisfactory safety profile for long-term administration". The news pushed the company's share price down to a new 16p low in late dealings.

Almost £10.5m was wiped off the market value of the group when it said it had decided to withdraw from the development of Proxiron, a systemic anti-asthma drug which would have been marketed in tablet form.

This is a last-minute decision by Fisons. The drug was expected to go on to the market next year.

A spokesman said: "The withdrawal of any compound when so close to marketing is disappointing, but it is part of the accepted risk of pharmaceutical research and development."

Fisons, whose interests span pharmaceuticals, fertilizers, agrochemicals and scientific equipment, pioneered the treatment of asthma through new drugs. The company's first formula, first introduced in the United Kingdom 10 years ago, is now used by asthma sufferers throughout the world.

Fisons' discovery in 1965 of disodium cromoglycate, which inhibits the effect of inhaled antigens, led to the development of Intal and derivatives such as Rynacrom, an inhalant treatment for hay fever.

Other drugs for the treatment of allergies followed. They largely contributed to the huge growth of the group's earnings from pharmaceuticals which now account for about 60 per cent of pre-interest profits, which totalled £24m last year.

Patents on Intal and its derivatives start running out next year, making the development of Proxiron, which

would have been the first oral prophylactic anti-asthma drug available, crucially important to the company.

As recently as May, Sir George Burdett, chairman of Fisons, confirmed that the drug's development was on course.

Last night Fisons was unwilling to elaborate on the reasons for the withdrawal. However, the company pointed to a number of other compounds with "significant potential" which are now in the research pipeline, some deriving from the sodium cromoglycate discovery.

Fisons' fortunes are going through a hard spell. Difficulties last year saw it go into an agrochemicals partnership with Boots, which was formally launched yesterday, while last week the company announced a restructuring of its fertilizer interests involving 1,100 redundancies.

Financial Editor, page 17

Financial Editor, page 17

Stock markets

FT Ind 455.1 down 6.1
FT Gilt 68.31 down 0.32

Sterling

\$2.3985 up 20 points
DM 79.3 up 0.2

Dollar

Index 86.5 up 0.3
DM 1.9845 up 123 pts

Gold

\$562.50 down \$15

Money

3-mth sterling 14.1-14.2
3-mth Euro \$ 16.1-17.1
6-mth Euro \$ 16.1-16.2

IN BRIEF

Accountants agree on merger

Arthur Young, McClelland Moores is to join forces with Joselyne Layton-Bennett, lifting AYM, the smallest of the "Big Eight" accountancy firms, up to fourth or fifth place in the league table.

The merger, which will be completed by the end of the year, will create a new firm, Joselyne Layton-Bennett AYM, making it the largest accountancy firm in the United Kingdom in terms of fee income.

AYM's fee income will be increased by around a third to more than £30m as a result of the merger, and the number of partners will go up from 100 to 148. Geographical representation will improve, and AYM will become the largest accountancy firm in Scotland.

Issuing Houses change

Mr Geoffrey Williams will step down next month as the Issuing Houses Association's delegate to the Council for the Securities Industry when his two-year term ends on February 20. His place is expected to be taken by Mr Thomas Mann, a vice-chairman of Lazarus Brothers.

Grant for British Gas

British Gas has won a £2.2m grant from the EEC towards the cost of its advanced coal gasification project at the Westfield Development Centre in Fife, Scotland.

£24m coal contract

Matthew Hall Ortech of Sale, Cheshire, has won a £24m contract to design, build and commission a coal preparation plant at Grimethorpe, Yorkshire, for the National Coal Board.

Steel decision soon

The Government expects to reach a decision on British Steel's corporate plan at the end of this month, Sir Keith Joseph, Secretary of State for Industry, told the Commons. The plan aims to slim down the company's operations.

Scottish textile fears

North East Scotland Development Authority has submitted a report to the Government expressing the fears of textile companies in the Grampian region over their survival chances.

Courtauld inquiry

The Government is investigating the export of Courtauld's textile looms to the United States from factories closed at Workington and Carlisle last May. The Government may seek to claim back all or part of regional development grant paid to the company.

New oil find

Hamilton Brothers has made a new oil find in the North Sea in block 30/24, four miles west of the Argyll field. The well was tested at 6,077 barrels a day.

Wall Street steady

The Dow Jones industrial average closed at 968.77, up a mere 0.08 above its Wall Street closing for last Friday. The S&P 500 rate was 1.27324 while the £ was 0.529744.

Iraq raises its crude oil prices by \$4 a barrel

Iraq is reported to have raised the price of its crude oil by \$4 a barrel, the maximum \$4 permitted under the loose agreement of the Organization of Petroleum Exporting Countries (OPEC). Iraq is now charging \$37.29 a barrel for its Kirkuk blend exported through the Ceyhan terminal on the Mediterranean coast of Iraq.

Iran is thought to be charging \$36 for its main crude, a marginal increase from the \$35 it fixed last year. Of the larger Arab members only the United Arab Emirates has yet to make the step of its price rise clear. Saudi Arabia has introduced the smallest increase of \$2 and retains the lowest price of \$32. Algeria, Libya, Iraq, Qatar and Kuwait have raised their prices by \$4. Indonesia, Venezuela and Nigeria are charging around \$5 more.

Finance house credit is lowest for 18 months

By Our Economics Staff

Britain's finance house business slumped dramatically in November. New advances were down more than £50m to the lowest level since March, 1979. Credit granted by retailers increased slightly, but the total of new credit extended dropped to £57m from £61m in October, a fall of £42m.

The sharp drop in credit business meant that the public actually paid back more than they borrowed in November, after allowing for seasonal factors, so the level of debt fell by £45m, though seasonal fluctuations meant that the absolute level went up slightly to £58.85m.

Over the three months to November, the total level of advances was down 6 per cent over the previous three months period. For finance houses and other specialist sources of credit alone, the drop was 7 per cent.

At the same time as releasing figures showing the sharp

drop in credit business, with declining sales of cars a major factor, the Department of Trade published revised figures showing that the volume of retail sales fell slightly, the index dropping from 105.7 in October to 105.2 in November.

The volume of sales has been virtually static since March and indications suggest that the figures in December were not particularly good. The clothing and footwear industry had a particularly bad time in the three months to November, with the volume of sales falling by 3 per cent from the previous three months.

It is possible that the volume will pick up in January in response to the winter sales, though large parts of Britain's high streets have been having sales stop-ops for the past year. The impact of this is shown by figures for the value of sales in the shops, which fell by 3 per cent in November from the same month last year.

Table, page 18

Warning on Reagan tax promise

Washington, Jan 12.—Mr. William Miller, the United States Treasury Secretary, said today that inflation would worsen if Congress cut taxes before it cut spending.

He said in a television interview that members of the incoming Reagan Administration had made a number of economic promises, including cutting taxes and government spending,

My reading of the landscape is, if there's a big tax cut first, there'll be no incentive for congress to control expenditures and so you won't get the control; you'll get a very large deficit and more inflation."

Curing the United States economy would require long-term solutions, not short-term "theatrics" such as declaring an economic emergency, Mr. Miller added.

Mr. James Jones, House budget committee chairman, said Congress should push for spending cuts of about half the expected Federal deficit for fiscal 1982 of \$55,000m to \$60,000m.

It was too late in this fiscal year to expect "meaningful cuts" for 1981.

ing an economic emergency, Mr. Miller added.

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Mr Joe Hyman sells Crowther holding and leaves board

By Peter Wainwright

Mr Joe Hyman, the textile millionaire who was deposed as chairman of Viyella International in December 1969, is leaving the board of John Crowther, the Huddersfield woolen group in which he bought control for £1.4m in 1971.

He has sold his 55.49 per cent stake to institutions and others at 22p a share. Mr Trevor Barker, a chartered accountant who is chairman of Findlay Hardware is taking over as chairman and chief executive.

He has bought 220,000 of Mr Hyman's shares, 20 per cent of the equity. Mr R. W. Aitken and Mr F. B. Webb are also leaving the board and they have sold 3,000 shares at 22p.

The deal leaves Hyman interests as key shareholders.

The Joe Hyman Discretionary Trust, which accounts for nearly 33 per cent of the shares, and the Joe Hyman Charitable Trust with 0.58 per cent are keeping their stakes "for the foreseeable future".

To enable outside shareholders to sell at the price which Mr Hyman and the other directors received, L. Messel Crowther's stockbroker, is standing in the market for a week as a buyer of ordinary shares at 22p a share. Hopes of what Mr Barker will accomplish in the takeover of Crowther up to 25p yesterday.

It is thought that Mr Barker and Mr Gordon Brook, who is also joining the Crowther board, will try to unlock the group's property potential. Assets per share as indicated in the last report and accounts

millions of pounds on new equipment designed to feed a mass market at home and abroad. Dear money, expensive oil and the strong pound frustrated his hopes as they have done those of many other textile manufacturers. Crowther has lost money in seven out of the last 10 years and has nearly broken even in the half year last June despite a two thirds cut in its labour force.

Mr Hyman: trusts to retain stakes in company.

for the year to December 1979 published last June were around 56p but that assumed their continuing use in textile manufacturing.

Mr Hyman's departure marks the failure of a sustained attempt to turn Crowther into another Viyella. He spent

by a bid from the key supplier ICI which merged it with Carington and Dewhurst. The Industrial Reorganization Corporation was keenly interested in the textile industry and Mr Hyman alighted on Crowther after a request from the IRC to look into the Yorkshire woolen trade.

Mr Hyman said last night that he wanted to spend more time on his family and farms. He strongly denied that he was joined with business and added: "I would like to do a job in the public sector where my industrial experience would be of use."

He continued: "I can no longer spend as much time as I would like in Huddersfield. I live in Surrey, keep a flat in London and play golf at Fulbourn."

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Free extensions intended to give corporation a marketing lead

Telecom salesmen plug the value of sockets

British Telecom is to provide free telephone socket extensions for certain subscribers in an 18-month trial from March.

The scheme will be offered to 24,000 residential and single-line business users in Taunton and Carlisle. If the trial is successful, every home in Britain could eventually be rewired to allow a telephone handset to be plugged in anywhere in the house.

In the trial, four sockets will be installed on each line free of charge. The service is to be based on similar plug-and-socket systems which at present operate in Canada, the United States and many European countries.

British Telecom stressed yesterday that this service could not yet be generally offered to the public.

play by the corporation to give it a marketing edge when the private sector is allowed to compete with it in the supply of equipment.

The plugs and sockets will be a patented set, and it is unlikely that they will be made available to the private sector without the permission of British Telecom.

The corporation still controls the network and has the right to install the first telephone.

Any extra handsets to be used with the new system would need to have a plug which was compatible with the British Telecom socket.

Apart from the marketing advantage, British Telecom will undoubtedly minimize maintenance and labour costs. The corporation says the main aim of the scheme is "to increase our sales of extensions and to update the residential telephone

system, leading to a rise in rental and call revenue."

British Telecom is confident that the plug-and-socket system will catch on, and it is prepared to sacrifice the present rental charge for extensions—25p per quarter for two sockets. In future, if the system is adopted, the sockets would cost the subscriber nothing. The customer could buy extra plug-in handsets from British Telecom.

The move is seen by the corporation as bringing the purchase of an extension telephone into line with that of any other consumer item.

In the trial, the corporation will convert existing customers to the new plug-and-socket scheme gradually. New residential customers will be offered the plug-and-socket installation only.

Bill Johnstone.

THE WELLCOME FOUNDATION LTD

Report for the year ended 30 August, 1980

	1980	1979
£m	£m	
Capital employed	£338.1	£305.7
Group Sales	£442.4	£411.6
Expenditure on research and development	£47.3	£39.1
Profit before tax	£48.1	£51.6
Profit after tax	£35.9	£28.8
Distribution to shareholders	£9.0	£8.0

Group sales were £442 million against £412 million for the previous year, says Mr. A. Shepherd, Chairman of The Wellcome Foundation Limited, in his annual review. Group profit before tax was £48.1 million compared with £51.6 million. However, the profit for the year under review contains an exceptional credit of £6.4m arising from a revaluation of the net realisable values of certain stocks.

"If sales and profits for 1979 and 1980 had been compared in local currency terms, the increase over the previous year would have been 16%, whereas the relative fall in profits would have been approximately the same."

Against the volatile background of foreign exchange markets and the price pressures upon us in many overseas markets, it has been particularly gratifying that we have managed to achieve a new export record. For the first time in any period of twelve months and in this our centenary year our exports have exceeded £100 million, and at £107 million a 12% increase over the previous year. We estimate that the adverse foreign exchange movements have cost us £5 million."

A number of important commercial arrangements were made during the year which will be of great future benefit. A contract has been finalised with the Indian Dairy Corporation for the sale to them of four-and-a-half tonnes vaccine technology; a contract has been entered into to supply the Imperial Cancer Research Fund with interferon for clinical trial; a potential anti-cancer substance, and there is a contract to supply interferon production technology to Sumitomo Chemical Co. Ltd., Japan. Long-term (reproducible) supply agreements were concluded with Hungarian state undertakings, concerning a new range of synthetic insecticides.

The Chairman reports: "We expect the high level of capital expenditure to continue. Much of this will be concerned with the group's research and development facilities."

"We have now commenced construction of a new production facility for our reagents and diagnostics business which should be completed during 1981 at a cost of between £5 and £6 million."

"Further arrangements were made during the year to support the capital expenditure programme and our group remains in a very liquid position."

The Wellcome Foundation Limited is an international group of pharmaceutical and chemical companies with headquarters in the United Kingdom. Under the will of Sir Henry Wellcome, all distributions received by the trustees who are the sole shareholders are applied by them to the support of medical and veterinary research in universities and hospitals throughout the world.

Wellcome

Wellcome

Wellcome

Wellcome

Wellcome

Wellcome

Wellcome



China may 'buy British' in updating universities

Britain's advanced technology and computer industry could benefit significantly from plans by the Chinese Government to spend \$393m (£165m) on updating its universities and higher education establishments.

A top level equipment review team from China is to visit the United Kingdom this month and in February to study teaching and research techniques at British institutions, universities and polytechnics and to meet manufacturers.

The visit comes after the arrangement by China of a World Bank loan to cover its university development programme. The visit is being organized in conjunction with the Industrial Council for Educational and Training Technology, the Scientific Instrument Manufacturers Association, the British Council and the British Overseas Trade Board.

S African rates rise

Another rise in bank lending and mortgage rates in South Africa is likely within the next few months. Commercial banks announced a 0.5 point increase to 10 per cent in the prime rate last week, the first rise since July, 1976.

Irish ferry cash

The European Investment Bank has lent the equivalent of Irish £5m (£3.9m) towards a new car, lorry and passenger ferry to operate on routes between Ireland and Britain. The 15-year loan is to the British and Irish Steam Packet Co.

French industry aid

The French Government has earmarked Fr4,500m (£418m) this year to help boost necessary industrial investments. Mr René Monory, economy minister, said. The aid, in the form of long-term loans at favourable rates—two points below market levels—is also designed to support economic activity and help French companies meet international competition.

Peking cutbacks

Premier Zhao Ziyang said in Peking it was necessary for China to stop some large construction projects in order to control inflation. Mr Zhao told visiting Japanese parliamentarians that China would move forward with the projects after inflation was cut back.

\$50m Ecuador credit

Ecuador is borrowing \$50m (£21m) through an eight year Eurocredit to finance public works, according to its loan coordinator and gear, Lloyd Bank International. The loan will carry interest at 3 per cent over six month London interbank offered rates.

Germany pulls out

The West German research and technology ministry is to end its financial contributions to a DM1,400m (£300m) joint American Japanese and West German coal liquefaction project at Morgantown, West Virginia. The ministry's decision comes after a cutback in its 1981-1983 budget.

Japan cars curb

Mr Willy Claes, Belgium's economic affairs minister, said he plans to impose limits on Japanese car imports. Belgium is negotiating with The Netherlands to ensure quotas are imposed uniformly by the Benelux countries, but the Belgians may act unilaterally if no agreement is reached.

Engineering company

In yesterday's "Industry in the Regions" column the name of the company Howorth Air Engineering of Bolton was incorrectly spelt. This was the result of a transmission error, for which we apologize.

UK microprocessor systems aid navigation

The microprocessor is making its presence felt at the Boat Show in Earls Court, particularly in navigational equipment. Since its launch at the show last year, the Systmaster, a British design, now has orders worth £500,000.

The system was designed by Systmaster of Frintley, and produced by its sister company, Systems Production. The units are sold worldwide.

Seven of the company's microprocessor systems have been on display. One, the NCS 4000 allows navigation by means of a global network of beacons used as "fixes".

By tuning a radio receiver on medium wave into two or more beacons and rotating a direction finding aerial, the bearings of the beacons in relation to the vessel can be determined and the position of the craft found by plotting the intersections of these bearings.

The microprocessor helps by facilitating the handling of the data.

Spurious signals from more distant beacons operating on

Builders' fears about 1980 squeeze confirmed by Whitehall figures

Housing starts 'lowest' since 1930s

Figures to be published by the Department of the Environment next month are expected to show that builders started work on fewer new homes in 1980 than in any peace-time year since the 1930s.

They are likely to confirm that starts in the public sector were down to about 55,000, the lowest post-war total. Private sector starts are expected to be little more than 100,000, the lowest since 1953.

Last year, the industry built 221,000 homes, and as recently as 1976 started 325,000. A Green Paper, produced during the last Labour administration, spoke of the need to ensure a housing programme of 300,000 units a year.

Department of Environment statistics published yesterday show that only 11,400 new flats and flats started in 1980. Over the three-month period to November, public sector starts were down by 40 per cent on the corresponding period in 1979. On the same basis, private sector starts were down by 41 per cent.

So far, the number of homes actually completed has held up well because of the fairly lengthy construction period. Even so, completions in November were down from 25,200 in 1979 to 20,000.

The figures only confirm what house-builders throughout Britain feared several months ago: that 1980 was going to be a tough year. Not only have they experienced difficulty in selling those homes actually built, but they have found margins squeezed.

While house price rises have ground to a standstill—and in some areas prices have actually fallen—costs have continued to rise inexorably. According to the housing-

cost index published by Building magazine, costs, excluding land, rose in 1980 by 13 per cent. Over the 12 months, new house prices rose, at most, by 6 per cent.

Surprisingly, there has been no marked increase in bankruptcies among house-builders, who have become adept at cost-cutting during periods of adversity. The National Federation of Building Trades Unions added that many would have found their activities restrained, in any case, by non-availability of suitable building land.

Mr David Titcher, a director-designate with responsibility for land and marketing for Heron Homes, which has built some 9,500 homes since its formation in 1969, explained that lack of confidence on the part of buyers remained the single most important constraint on the house-building market.

"There are plenty of potential buyers around, and we have seen no decline in the general economic climate: whether they will be able to continue to afford the mortgage payments, whether they will be able to sell their own homes, and so on."

In 1979, Heron part of the diverse Heron Corporation, sold 1,100 homes. Last year, the total dropped to 900, and this year Mr Titcher expects it to be about 600 or 700.

Heron, which builds on a sub-contract basis, expects no real improvement in the market until at least it is optimistic that a further fall in mortgage interest rates will stimulate more activity.

Meanwhile, Heron, in common with many other house-builders, is offering a range of incentives to clear unsold homes.

Among these is an offer to pay a buyer's mortgage for a period of up to three years should he or she be made redundant. The company is also offering to pay a proportion of legal fees.

Other, larger builders are even more bullish, and Mr Laurie Barratt, chairman of the company which now ranks as Britain's largest house builder, recently said his company was poised for growth in 1981. Last year, it built about 11,000 homes.

The industry's own forecasts are less sanguine, although it is more worried at the prospect of a further sharp drop in market pricing, in order to avoid wasting valuable supplies now at the expense of future generations. Yet the point is ignored in the subsequent analysis, which presumes that price reductions to large industrial users. The editorial applauds the virtue of financial discipline on the nationalized industries but then says that this "must not be allowed to mask other issues" whatever that might mean. Finally it calls for the reduction of heavy fuel oil tax, but then says that taxes should be increased to make good the cost of reducing energy prices. In short, it presumes that the government should replace one set of doubtfully real problems by another.

British industry is losing competitiveness, but the problems generally go beyond the price of fuel. Specific industries pressing for reduced fuel costs should back their case by demonstrating (a) that rising energy costs have been as serious as the other components in their rising costs, and (b) that their energy efficiency is keeping pace with that of overseas competitors. Energy efficiency is of central importance, not only in maintaining competitiveness, but also in reducing demand for physically limited resources, and the

Much will depend upon general economic factors. Meanwhile, the industry would like to see Government giving the private sector encouragement in its memorandum on the Budget submitted to the Chancellor this week it called for the doubling of the mortgage interest relief to £50,000, easing of stamp duty, and changes in the operation of the development land tax to assist the release of land for house building.

John Huxley

Top-level talks sought over future of Talbot's Linwood car plant

By Ronald Faux

Scottish Office ministers are seeking to meet the senior management of Peugeot Citroën as speculation mounts that the Talbot car plant at Linwood, Renfrewshire, will close later this year unless a new model is introduced there.

The Government is seriously concerned about the wider implications for Scottish industry if the plant is shut down by the French parent company, which expects to lose £140m this year.

Linwood produces the Avenger, a dated model, and the Sunbeam, which has not sold as well as expected. The plant is in a state of uncertainty. Talbot and the workforce at Linwood are pressing Peugeot

Citroën to build a front-wheel-drive model now being designed which will replace the Peugeot 104 in Scotland.

So far the unions have not been reassured by statements from the French company that they would maintain a strong manufacturing base in the United Kingdom. This could refer simply to the Dodge truck division of Talbot in England. The workforce at Linwood has already been cut by almost half to just over 2,000 since the takeover two years ago. At present workers are on a three-day week.

The meeting of Scottish Office ministers and the company's owners will consider a range of assistance available for the modernization of the plant.

This would include a 22 per cent regional development grant plus discretionary grants, which could cover about one-third of the total cost.

Mr George Younger, Secretary of State for Scotland, is clearly prepared to do anything in the Government's power to encourage Linwood's development, mainly because of the disastrous effects that closure would have on the Scottish steel industry and numerous other suppliers.

In a statement yesterday, Mr Younger admitted his concern to secure the future of Linwood but added that there was no truth in suggestions that he had been asked to "bail out" the plant, which overseas businessmen in Japan or elsewhere.



Mr Oscar Hahn: Exhausting life of service.

Mr Hahn to retire from GKN

By Clifford Webb

Mr Oscar Hahn, CBE, 57, is retiring from the main board of GKN for reasons of health. Behind that bland announcement yesterday lies the remarkable story of a paralysed schoolboy who became a top industrialist, sailed a 40ft ketch around the world, and founded a wheelchair make of national repute in Europe, and still found the time and energy to lead an exhausting life of service to the community.

In this, the Year of the Disabled, Mr Hahn's achievements from the confines of a wheelchair make a salutary reading. He was born in Berlin in 1923 and at the age of 10 contracted polio, which left him totally paralysed.

Four years later he recovered the use of his upper body and travelled to Britain to continue his education at Gordonstoun College.

From Gordonstoun, he went to Cambridge University. Fellow undergraduates still remember the time he propelled his manually-operated armchair from Cambridge to London in one day to win a bet. The prize was two pints of beer.

By 1938 his family had left Nazi Germany and acquired British citizenship. Birmingham-based aluminium forging company founded two years earlier by three fellow refugees.

After Cambridge, Mr Hahn joined the family business. He remained not to be a desk-bound manager, he designed and built an electrically powered buggy on which he made daily tours of the shop floor.

In 1968 when he was managing director of EKI Alloy sold to GKN, Mr Hahn was retained to run the company but this was no "obligatory" service contract. His potential as an organizer and motivator was quickly recognized by Sir Raymond Brookes, then chairman of GKN. By 1979 he was chairman of several subsidiary groups.

He was also responsible for GKN's steel rod business, which has been involved in talks with the Bank of England and the British Steel Corporation over nationalization of the steel industry.

Wales site for wind generator

By Nicholas Hirst

Carmarthen Bay power station in Dyfed, South Wales, has been chosen as site for a prototype wind generator to supply electricity to the national grid.

Small-scale generators for use in remote areas such as the Scottish islands have already been proven commercially. A 40ft high generator with 15ft blades was recently installed and is providing power for a dairy farm at Ronaldsway, South Orkney.

The Central Electricity Generating Board intends to test large scale generation. The generator planned for Dyfed will be in the 50-200 kilowatt range, costing around £1,000 per kilowatt (a kilowatt provides sufficient power for a one-bar electric fire) and will be used to gain operating experience for using a larger machine.

Sited at a disguised airfield at Wigsley, near Lincoln, Bradwell nuclear power station, Essex, and Richborough power station in Kent are being investigated for use for the first large-scale generator of between 1,000 and 4,000 kilowatts.

Tamworth Co-op shuns Birmingham merger

By Derek Harris

A merger of one of the co-operative movement's most successful smaller retail societies, at Tamworth, with one of the movement's largest, at Birmingham, has fallen through for the time being.

The Birmingham Co-operative Society had already changed its name to the Greater Midlands Co-operative Society in anticipation of the merger, but a members' meeting at Tamworth has failed to produce the necessary two-thirds majority in favour of the move.

The Tamworth voting—152 against the merger to 151 for—represented only 1 per cent of the total membership. Tamworth's leaders are examining how far the membership appreciated the case for the merger and this may lead to a call for a fresh vote.

The proposed merger, which is the latest of a spate of such moves, would have created a society with a combined turnover of £10m, of which Tamworth would have contributed around £10m. The Birmingham society is the fifth largest retailing operation in the movement.

The merger talks came after Tamworth's expansion plans

were balked by its modest resources both financial and in specialist skills like property management and marketing.

Although it had a superstore site at Wilnecote, the £35m project was disproportionately large for Tamworth's resources and the Birmingham society was allowed to lease the site and develop it. It has been operating successfully for six months, it is claimed.

Tamworth is one of the movement's more successful societies. Its net surplus—which would be profit in a commercial company—in 1979 was three times greater than that of the Birmingham society, £463,000 compared with £149,000.

Birmingham's surplus has been low for two years largely because of costs of closing down around a fifth of its small outdated outlets, which are now down to about 200.

But Tamworth's surplus as a percentage of sales stood at 5.5 per cent compared with a national average among societies of 1.2 per cent. The Birmingham percentage was only 0.1 though this society has extensive assets backing which even at its written-down value stood at £11.54 m in 1979.

Wage councils 'cause job losses'

By Frances Gibb

Wages Councils are pricing people out of the labour market and creating unemployment, according to a report yesterday by the National Federation of Self Employed and Small Businesses.

The report says that wages councils are outdated and should have their statutory powers removed, including the right to set minimum wages.

Minimum statutory wages have had a serious impact on employment, the report says. They affect particularly the employment of school leavers, women, and ethnic minorities, all of whom might be prepared to settle for lower wages to obtain a job.

They also affect those who are thrown out of work because their employers are prevented from offering them the choice of lower wages or redundancy, and small businesses which cannot absorb sudden and often unexpected wage increases.

Mr David Dexter, the federation's chairman, said yesterday: "Most Wages Councils were set up 60 years ago to deal with 'sweatshop' conditions and 'slave wages'. They are no longer relevant in today's society and by consistently making awards which far exceed the rate of inflation they are literally destroying job opportunities."

The councils might be useful

in some trades as a forum for collective bargaining, but this bargaining should be done on a voluntary basis. As a first step, the report says that the Government could convert the councils into statutory Joint Industrial Councils, without enforcement powers.

It also urges firm dates for Wages Councils meetings and a timetable for negotiations. No awards should be backdated to time before publication of the order.

Priced Out! The Effect of Wages Councils on Jobs: National Federation of Self Employed and Small Business Ltd, Price £1.

LETTERS TO THE EDITOR

Problems of energy costs in industry

From Mr Tony Speller, MP for North Devon (Conservative)

Sir, Your editorial of January 8 on the cost of energy to United Kingdom industry clearly sets out the need for market pricing, in order to avoid wasting valuable supplies now at the expense of future generations. Yet the point is ignored in the subsequent analysis, which presumes that price reductions to large industrial users. The editorial applauds the virtue of financial discipline on the nationalized industries but then says that this "must not be allowed to mask other issues" whatever that might mean. Finally it calls for the reduction of heavy fuel oil tax, but then says that taxes should be increased to make good the cost of reducing energy prices. In short, it presumes that the government should replace one set of doubtfully real problems by another.

British industry is losing competitiveness, but the problems generally go beyond the price of fuel. Specific industries pressing for reduced fuel costs should back their case by demonstrating (a) that rising energy costs have been as serious as the other components in their rising costs, and (b) that their energy efficiency is keeping pace with that of overseas competitors. Energy efficiency is of central importance, not only in maintaining competitiveness, but also in reducing demand for physically limited resources, and the

statistics show that British industry as a whole is no more efficient now than it was in 1974.

The NEDC task force is a welcome development, since an agreed set of facts would be of immense value in removing the confusion which presently surrounds the energy price debate. One area for their attention should be the effect exchange rate movements have in obscuring international price comparisons. It is important that the problems specific to our energy-intensive industries should be separated from the more general exchange rate problem faced by industry as a whole.

The CBI now suggests that large users of industrial gas and electricity should be helped by the restructuring of tariffs in their favour. There is justification for this but it also has obvious implications for smaller users, including many of the CBI's own members. It also has implications for gas supply, since a significant price advantage over the competing oil producer would surely precipitate excessive demand for gas from industry.

I do not seek to minimize the importance of the problems facing energy-intensive industry in the United Kingdom, but feel that solutions are not as readily attainable as you suggest.

TONY SPELLER,
House of Commons,
SW1A 0AA
January 9.

Disconnexion of gas supplies

From the Deputy Chairman of the British Gas Corporation

Sir, The allegation that the gas industry is "trigger happy" in disconnecting customers to gas who fall on hard times (The Times, December 19) is rejected totally.

Your story referred to a recently published report, "A Charter for Fuel", by the Yorkshire Regional Council, which Labour Party, the stated that many gas and electricity boards "made disconnections in what appeared to be an indiscriminate way, often causing hardship in winter to the most vulnerable people."

The electricity boards are well able to defend themselves, so I refer only to the British Gas record on this matter.

The National Gas Consumers' Council monitors the operation of the code of practice by the corporation and has found only minor breaches, both borderline, out of over 8,000 cases examined.

We work closely with the DHSS and local authority social services to avoid disconnections and customers with difficulties are urged to discuss the problem with us before getting into arrears. Various methods of easy payment are widely publicized.

Four years later he recovered the use of his upper body and travelled to Britain to continue his education at Gordonstoun College.

From Gordonstoun, he went to Cambridge University. Fellow undergraduates still remember the time he propelled his manually-operated armchair from Cambridge to London in one day to win a bet. The prize was two pints of beer.

By 1938 his family had left Nazi Germany and acquired British citizenship. Birmingham-based aluminium forging company founded two years earlier by three fellow refugees.

After Cambridge, Mr Hahn joined the family business. He remained not to be a desk-bound manager, he designed and built an electrically powered buggy on which he made daily tours of the shop floor.

In 1968 when he was managing director of EKI Alloy sold to GKN, Mr Hahn was retained to run the company but this was no "obligatory" service contract. His potential as an organizer and motivator was quickly recognized by Sir Raymond Brookes, then chairman of GKN. By 1979 he was chairman of several subsidiary groups.

He was also responsible for GKN's steel rod business, which has been involved in talks with the Bank of England and the British Steel Corporation over nationalization of the steel industry.

Over the Christmas and New Year break our company had three men on permanent call 24 hours every day and their telephone numbers were on a telephone answering machine. Anytime we were called, we answered the recording which had clearly received these numbers, as did national companies such as Sainsbury's and Taylor Woodrow and also individuals with smaller premises.

From the Reverend E. F. Syngé

Sir, A short time ago you printed an article about the fall in the numbers of small investors. No one seems to have noticed it, but it is a pity that so many of our small investors are being lost. It is this, that the writer omitted to mention. Most so-called investment today seems to be either speculation or, more modestly, a "revival of a romance in the financial world."

Yours faithfully,
E. F. SYNGE,
The College of St Barnabas,
Blackberry Lane,
Lingfield,
Surrey, RH7 6NJ.

Finniston Report proposals

From Mr Rodland Morgan

Sir, The understandable quick denial by the Secretary of the IEE (Business News, January 8) to Derek Harris' suggestion that the Privy Council be asked that institution to explain its turnaround on the Finniston Report recommendations never shows how sensitive this issue is to those who know what is going on. I suggest that apart from the Engineering Institution hierarchies very few engineers have heard of the government's draft royal charter for a new engineering body as consultation by the institutions has been negligible. This is in sharp contrast to the time and care taken by Sir Monty Finniston and his committee when they sought opinion at packed meetings of engineers held throughout the United Kingdom.

Whatever one may think of

The suggestion that British Gas is insensitive to needy customers is groundless. On the contrary, staff who work in this difficult area do their job with great humanity.

With rising fuel prices more families are likely to find themselves in difficulties and people are right to be concerned. But it is the task of the welfare authorities to make sure that the disadvantaged can afford adequate supplies of energy; it is not the job of the fuel industry.

We do operate with a social conscience but we are not a social service.

I might add that it costs much less to heat the average home with gas than any other fuel in general use and gas prices have risen much less rapidly than prices in general over the last 15 years.

Based on the average consumption of a gas cooker and a main living room fire, a couple on old-age pension would have had to spend some 10 per cent of their pension on gas back in 1969, but less than 4.5 per cent in the year just ended.

Yours faithfully,
J. H. SMITH,
British Gas Corporation,
Riverside House,
152 Grosvenor Road, SW1.

It seems to me that with an ever increasing drift to credit card purchasing the marked price of any article for sale is effectively charged in advance (ie the surcharging is built into the price and the trader works out his sums in the knowledge that his net income will be the "discounted" price). In this case then surely the discussion should not be concerned so much with credit card discounts for card customers but with automatic discounts for cash or cheque paying customers? The person who saves up to buy his necessities should have the right to make his purchases at the same price as those charged for the goods supplied to his card carrying friends.

From Miss J. M. Stubbs

Sir, Since the autumn you have published a number of letters concerned with aspects of purchasing. Most of these have concerned the desirability, justification or necessity for surcharges on credit card customers.

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From Mr Anthony Holland

Sir, So the trade dispute with Indonesia has been solved by enlarging their quota of duty-free textile exports to Britain. I agree the quota is less than the industry feared and also that there should be compensating job opportunities in other industries. Nevertheless, the effect will be, predictably, another few hundred textile workers on the dole.

Five, but those of us remaining in the textile industry feel the very least the government could have done was to insist that Indonesia opens its doors again to British cloth by slashing the current 75 per cent duty which makes it virtually impossible. Gaining this point would, at least, have demonstrated the Government does care for what is left of the textile industry.

Britain has been a long standing supplier of cloth to Indonesia whereas, until three years ago, their textile exports to us were a statistical non-event.

ANTHONY D. R. HOLLAND,
7/8 Warwick Street,
London W1,
January 9.

Indonesia and the textile industry

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ECGD and exports to Jamaica

From Mr R. E. F. de Pass

Sir, In April, 1980, Export Credits Guarantee Department withdrew cover to exporters to Jamaica without warning, presumably on a combination of political and financial grounds. This caused the cessation of a very large amount of export trade from the United Kingdom to the island.

At the end of October, there was a change of government in Jamaica, and within a very few days delegations of exporters from the United States were in the island offering their services. Unhappily no British mission has so far visited the island, due, principally, to the continuing reluctance of ECGD to reinstate their cover.

My company has been trading with Jamaica for nearly 100 years, and during this time we have never had a commercial default. Our experience is, I am sure, not unique in trade with this island, and so I am forced to the conclusion that, up to the present, insufficient notice has been taken by the authorities of the changed political and financial climate in Jamaica.

It is, therefore, hard to understand a recent report in the press that the Government is constraining ECGD not to restrict trade with Poland, whilst at the same time there is no indication that they are pressing the Department to reinstate cover to a very old member of the Commonwealth—Jamaica. Quick action is required to assist urgent rehabilitation of this island to await a new deal with the International Monetary Fund is only delaying the United Kingdom's traditional exports for the benefit of our trade competitors, and at the same time weakening the very old links within the Commonwealth.

ROBERT DE PASS,
58 Borough High Street,
London, SE1 1KF,
January 8.

Discounts for cash payments

From Miss J. M. Stubbs

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BY THE FINANCIAL EDITOR

Fisons drops a bombshell

Bad news is coming thick and fast for Fisons with yesterday's bombshell that it is having to drop one of its most promising pharmaceutical prospects, the anti-asthmatic Proxipromol, knocking 28p of the shares, which closed at 160p. Only last week the group announced a fundamental restructuring of its fertilizer division the financial implications of which are likely to mean a cut in the dividend, which would have been uncovered in any case on a current-cost basis after the more than halved profits that now seem certain to be announced for the current year. Troubles in agrochemical business have already forced it to seek out Boots as a partner.

Out of this, the pharmaceutical division has been shining like a beacon. The latest figures for the six months to the end of July showed that this division accounted for almost three-fifths of the £11.1m pre-interest profits. And, while this division has been trying to offset margins squeezed by the strength of sterling and difficulties in getting price increases through, it has plainly been the one on which Fisons has been staking a lot of its future, pumping £8m of its £14.4m research and development spending into it last year. With the long lead time it now takes to get new drugs onto the market, there is no chance of another product plugging the profits gap that is likely when the initial patents run out next year.

The rebound in the share price after the fertilizer shock has owed much to takeover hopes, particularly the group had wielded these in the very part of the company that had deterred potential bidders. But with doubts on the pharmaceutical side it is now looking as though the takeover prop even with the market capitalization of under £80m not much more than half fixed assets is starting to look a little shaky.

● The figure of £2,310m for the central government borrowing requirement in December was every bit as bad as financial markets had feared. For the nine months to December the cumulative total has moved up to £13,060m and something fairly dramatic will have to happen in the final quarter of the present financial year to overturn market estimates of a full year public sector borrowing requirement in the £12,000m-£13,000m area.

Although the rate of increase in supply service expenditure—the major ingredient of central government spending—has been cut back marginally from almost 26 per cent after six months, it remains high and certainly uncomfortably higher than the 28 per cent rate of increase originally forecast for the full year. There should, of course, be steady improvement over the coming months as some of the larger pay awards of last year start to drop out of the year-on-year figures.

But it is still going to take time to bring about a significant deceleration in the rate of increase, while the extent to which the government will be able to achieve a better balance between the rate of increase in relative public and private sector costs during 1981 remains to be seen.

At this stage it is little wonder that gilt-edged investors remain highly cautious; the seasonal improvement in public sector finances in the January-March quarter has in the past proved a highly dangerous bull trap. Investors, moreover, see little likelihood of the authorities tightening up the funding tap over the next few months, so they see plenty of reason to bide their time.

But if there are a number of clear constraints on longer term interest rates, the same constraints do not automatically apply to short-term rates. Much will presumably depend on how the news background, not least on the pay front, shapes up over the rest of the month. But once the December retail price index is out of the way, the Government could well make out a strongly plausible case for a small reduction in real interest rates.

Meanwhile, if United States rates are not destined to fall steeply, the money supply figures coming out at the moment look good enough to suggest that we probably really have now seen the peak of the present cycle.

Insurance brokers

Little evidence of recovery

Insurance brokers provided one of the stock market's few firm spots yesterday helped by a mildly bullish circular from W. Greenwell and disappointing rather than bad figures from one of the sector's smaller fry, Hogg Robinson.

Hogg, in fact, saw interim profits dip 15 per cent to £2.32m despite, apparently, a relatively strong showing from the growing travel interests. But a maintained dividend and the promise of full-year figures comparing "favourably" with the previous set were sufficient to lift the shares a couple of pence to 110p.

In Hogg's case, absence of provisions which took £650,000 last time could indeed keep profits close to last year's £8.6m but the shares offering a likely p/e ratio of over 9 and yielding 7.4 per cent still look vulnerable.

Hogg relies heavily on agency commissions from the Lloyd's insurance market, which this year could provide over 25 per cent of profits reflecting the market's successful 1978 underwriting account. There must be fears, however, that these earnings will come close to evaporating next time as they reflect the parlous conditions Lloyd's underwriters encountered in 1979.

Meanwhile, recovery hopes for brokers generally are hardly soundly based at the moment. Some flickers of life in marine and aviation have led some observers to predict at least a "bottoming out" of premium rates in the current year, while any weakness in sterling would put some gloss on overseas profits.

However, with stock market conditions in the United States still sufficiently buoyant to encourage underwriters to write business purely for investment income and the possibility of inflationary moves in the United States, both these predictions could be wide of the mark. At the same time, any fall in interest rates could only have an adverse effect on brokers' investment income.

Gold Time for a re-assessment

It may be time for a fundamental re-assessment of gold and gold mine shares. Measured in dollars, the gold price has been bumping around between \$550 and \$600 for a while, while the gold mine index has been pointing downwards. More important, few voices are heard predicting instant recovery for bullion, and some are even suggesting that shares should be sold.

After all the excitement of gold's historic adjustment to inflation, partly promoted by quite fortuitous political factors, it is evident that in its current phase bullion is influenced by technical forces such as currencies, interest rates, inflation and stock markets. The relative weight of these at any one time is very hard to determine, and the absence of a clear trend has kept buyers out of the bullion market and encouraged sellers to take profits or cut losses.

Difficult though it is to disentangle these influences, they certainly do not seem particularly encouraging at the moment for either bullion or shares. Interest rates look as if they will stay higher than was expected for longer, the dollar is firming a little, and for a while last month at least the Dow Jones was outperforming gold mines.

This pattern could stick for several months, with only an international crisis not already discounted or an increase generally in inflation breaking it.

Some life has been breathed back into the share market by institutions seeking the income they cannot get from blue chips. With top quality mines such as Kloof, Hartbeestfontein, President Steyn and Free State Geduld currently offering around yields of up to 20 per cent the move is not surprising. It is, moreover, a principle entertained in some quarters that a share is best bought when at the bottom.

But where is the bottom? Last week's quarterly results from Gold Fields showed that for the first time in 18 months profit growth has stopped, until grades are raised anyway. Measured in Rand, which is what matters to the mines, the average gold price received hardly altered. In the present quarter, however, the mines could well suffer a decline in gold price. As a result, the recent spectacular increase in dividends can be expected to slow down, especially since many mines are committed to heavy capital spending.

Dividends will be enough to keep yields attractive, but as long as interest rates remain so high the historic premium for South African investments will be very narrow if it exists at all. Only a definite upward trend in the gold price or a fall by interest rates to much lower levels can change that. If, however, gold does not move one must question the argument that bullion is bound to maintain its real value. And that in turn would upset all calculations about present value of mines and the basis on which shares are priced.

British industry is showing a belated interest in quality control techniques. Peter Hill reports

How Japanese workers go round in profitable circles...

Tucked away in a corner of the latest issue of the weekly journal of the Department of Trade and Industry is a trailer advertising a forthcoming mission to study Japanese manufacturing and quality assurance techniques.

The mission reflects an increasing awareness among British industrialists of the edge which Japanese manufacturers now have over their Western counterparts in product quality, a factor which has manifestly influenced Japan's ability to carve out significant slices of key product markets.

Tomorrow, managers, trade unionists, shop-floor workers and Government officials will have a chance to examine at a conference the concept which is central to the Japanese effort—the quality control circle.

The conference, organized by the National Economic Development Office, results from an initiative by Mr John Nott, former Trade Secretary, in a paper to the National Economic Development Council three months ago.

Close working cooperation in Japan between companies and their suppliers of materials, components and sub-assemblies, ensures that quality problems are tackled at an early stage and that companies' quality targets are met," said Mr Nott.

This contrast with the re-criminations over quality shortcomings that commonly arise in the West where such cooperation is less certain.

In Japan, quality control circles involve small groups of shop-floor workers (although membership does not exclude managers) who meet voluntarily in groups of up to a dozen under the chairmanship of a foreman or shop steward. Their task is to analyse and resolve problems which directly affect their work, problems which may have gone unresolved for decades but for which they, uniquely, are able to develop solutions through the expertise and knowledge which they have accumulated.

Quality control circles also provide a focus for the identification of all workers involved in a plant or in a company with the underlying philosophy that it is in everyone's interest to produce goods which are not only of high quality but are competitively priced and efficiently manufactured.

Japan is not the only country to have experimented successfully with the idea. Experience has shown that the relationship developed and the team spirit engendered by the application of the quality control concept in the United States and increasingly in Europe leads to enormous benefits and improvements.

Impressive achievements have been recorded. One Norwegian steel company recently revealed that by implementing a simple modification suggested by a circle it had managed to save \$48,000 a year by reducing the number of damaged wire rod coils.

In the missiles system division of Lockheed Corporation an investment of about \$700,000 to establish quality control circles produced savings of more than \$5m over a four-year period.

Dr Joseph Juran, the American quality consultant who played an important part in advising Japanese companies on quality control procedures, has said that the concept of the last war said recently: "One way of looking at the Japanese export success story is to see it as the huge return on investment in a massive quality training programme."

But even in the concept requires a positive and continuing commitment by management particularly in the early stages. Training facilities must be provided and basic education in problem solving.

Equally important is the ingenuity of management to implement the ideas and solutions which flow from the work of the circles.

Both South Korea and Taiwan have established national centres to monitor quality control activities; an estimated 400 companies in Brazil deploy quality control circles. In the EEC, in Scandinavia and in Britain the quality control circle technique is being cultivated and the experience of Rolls-Royce, one of the pioneers provides a useful insight.

Neither he nor other quality control experts suggest that the quality control concept alone has been responsible for Japan's extraordinary progress to economic super power status, but it has played a significant role over the past thirty years; equally experts do not suggest that it will be possible to mirror exactly the Japanese model in the West. But there is general agreement that they can have an enormous impact in breaking down the frictions, tensions and traditional "them and us" attitudes to everyone's benefit.

What is the emphasis which emerging industrial nations are attaching to the Japanese quality control model?

Both South Korea and Taiwan have established national centres to monitor quality control activities; an estimated 400 companies in Brazil deploy quality control circles. In the EEC, in Scandinavia and in Britain the quality control circle technique is being cultivated and the experience of Rolls-Royce, one of the pioneers provides a useful insight.

According to the planners, to achieve this the country will require at least for another two to three years some hefty financing from abroad (along the lines of the \$1,000m loan package agreed by 15 countries of the Organization for Economic Development and Cooperation (OECD) last year). Large-scale rescheduling of external debt now estimated at over \$21,000m (one-third of it in arrears of interest), is also considered essential.

What seems to have disheartened Turkey's creditors, however, is the absence of any significant signs of economic recovery one year after the stabilization plan went into operation.

Turkey's economic growth rate in 1980 was almost zero; unemployment rose to five million; inflation lingered close to three figures; the local cur-

rency was subjected to 14 "parity adjustments" which devalued it by one-half. The external trade deficit soared to \$4,000m as the country's exports sluggishly failed to catch up even with the cost of oil imports at \$3,100m. Domestic demand slackened because of inflation. Coupled with the high cost of borrowed money, this discouraged the expansion of production which, anyway, is not of a quality that could easily find export markets.

Low quality, in fact, has tended to reorient Turkey's exports from its traditional OECD clientele, which in 1973 absorbed 71 per cent of it (and last year only 60 per cent), to the Arab countries whose share increased from 6.8 per cent to 20.

The results of the first year are disappointing. But analysts who have scrutinized the indicators of the last three months of 1980, have noticed some rays of hope, especially in exports which were enhanced by the lira devaluations.

Furthermore, the military government has been taking some drastic action to get rid of some of the economy's structural defects. It has decreed, for instance, a set of 25 tax reforms which no political party had felt strong enough to pass, as well as some labour laws which reshape management-labour relationships on a more rational footing.

A sharp increase in bank interest rates resulted in a 29 per cent growth of bank deposits within a few months, and, in order to attract the savings of Turkish workers abroad (estimated at \$10,000m) the banks are now authorized to offer a 17 per cent interest on a convertible currency deposits.

At the same time the Government, which seems more determined than its political predecessors to encourage foreign investors, wants to partially denationalize some of the state-owned enterprises where bad management and overstaffing have been causing enormous deficits.

The new government hopes it can stimulate a 3 per cent gross domestic product growth in 1981 and bring inflation down to 40 per cent. The success of these efforts, however, depends heavily on how much Western aid Turkey can obtain both in terms of recycled debts and in hard cash under the OECD's umbrella.

Mario Modiano

...and why they are doing it in Derby

'It represents a means of getting people's experience more closely invested in the enterprise'

Among the 30 or so British companies which have introduced quality control circles into their operations, the Derby-based state-owned aero-engine company, Rolls-Royce, has played an important pioneering role. The "father" of the idea was Mr Jim Rooney, the quality engineering manager. Fired by the obvious success of being recorded at the Lockheed Corporation's missile division, he decided in 1977 that R-R could benefit from adoption of the techniques.

His judgment has been amply vindicated. Over the past 30 months total cost savings of £50,000 have been achieved, and there has been an improvement in the quality of some key aero-engine components which have been the subject of circle study work. The idea is now spreading more widely within R-R, and outside suppliers are anxious to learn more.

One project successfully tackled by a quality control circle was the reduction of the scrap rate arising from machining of turbine blades. Conventionally that was running at a rate of about 4 per cent. Reorganization of equipment layout and other changes in the working area involved cut the scrap rate to less than 1 per cent and produced savings of £26,000 a year.

Another project involved cutting down the rejection rate on the production of cooling rings. Modification of the cutting tool produced a sharp increase in the production of rings which met the tight specifications set by R-R.

There have been many others. Mr Rooney says the investment in the concept has been more than justified. He estimates a return of 10 to 1 on the money invested.

Now retired from Rolls but retained by the company as a quality consultant, Mr Rooney says: "The one aspect which attracted me to the idea was that it represents a means of getting people's skills, knowledge and experience more closely invested in the enterprise and to encourage people to become much more deeply involved in their company and their commitment to it."

At Rolls, workers are invited to join groups and after an initial introduction to problem solving, the groups, which often include supervisors, can set about tackling a particular project.

The trade unions have been very responsive, says Mr Rooney. The movement has helped to break down some of the barriers which have developed over decades between shop-floor workers and management.

Twice a year the R-R groups explain their projects to the company's senior management. An invaluable channel of communication has thus been opened up and while it has not completely evaporated, the feeling of remoteness has been greatly diluted.

Quality control circles are not a new idea, says Mr Rooney, but by dipping deep in the well of people's expertise and knowledge—which management has helped to create—companies are able to give workers some much more interesting since we began with the quality circles. You become more involved and have an opportunity to contribute something."

Mr Tony Hunt works in the general machining shop of the Derby works which manufacture small components. He has been a member of one of the R-R circles for the past two years. He is also a shop steward of the Amalgamated Union of Engineering Workers.

"A machine operators' job is not a very interesting one," he says. "But certainly it has become much more interesting since we began with the quality circles. You become more involved and have an opportunity to contribute something."

Mr Hunt sees no conflict with his role as a lay officer of a big trade union.

"When I have found it that the circle enables you to get to know people much better—people who you have worked with for perhaps twenty or thirty years—and the degree of mutual respect and understanding which develops is much greater."

"Let's face it, we all spend a great deal of our lives working. Through these circles you can improve your working life. You do not solve all the problems but it goes a long way towards it."

He sees compatibility between employees as vital and although he does not appoint new staff, he likes to meet them beforehand to sum them up.

"Recording artists and aerospace huffins have a lot in common," he said. "Both groups are prickly and temperamental. I am a great believer in the sort of meeting where we can all get the bile out of our systems but after that we all go over to the pub and the understanding that nobody mentions 'shop'."

Arthur Reed



Mr Turgut Ozal (left), Turkey's deputy prime minister who is representing his country at the London meeting, and Mr Ismail Aydinoglu governor of the central bank until last weekend.

Turkey asks for more time

Representatives of 16 international banks are meeting in London today to consider a Turkish request for easier repayment terms on already rescheduled debts of more than \$3,000m.

The meeting comes at a time when Turkey's military regime feels squeezed between the need to shield the country's long-term economic stabilization plan against political uncertainty and the growing impatience of her Western creditors for an early restoration of parliamentary democracy.

Turkey's economic plan was launched a year ago by Mr Turgut Ozal (who is putting the Turkish case in London this week) and given the green light by the International Monetary Fund (IMF). It has since been espoused by the Turkish generals who seized power on September 12. The generals have given Mr Ozal broader powers and named him deputy prime minister. Over the weekend Mr Ozal's powers were consolidated when the junta dismissed Mr Ismail Aydinoglu, the governor of the central bank, who had criticized the deputy prime minister.

The main target of the stabilization plan is to increase production in order to stem unemployment (now at 20 per cent), increase exports and check inflation (running at 100 per cent). The strategy is to secure healthy financing for investments and imports by way of attractive bank interest rates and other incentives, and to build up an infrastructure which will give this growth a self-sustained impetus.

According to the planners, to achieve this the country will require at least for another two to three years some hefty financing from abroad (along the lines of the \$1,000m loan package agreed by 15 countries of the Organization for Economic Development and Cooperation (OECD) last year). Large-scale rescheduling of external debt now estimated at over \$21,000m (one-third of it in arrears of interest), is also considered essential.

What seems to have disheartened Turkey's creditors, however, is the absence of any significant signs of economic recovery one year after the stabilization plan went into operation.

Turkey's economic growth rate in 1980 was almost zero; unemployment rose to five million; inflation lingered close to three figures; the local cur-

rency was subjected to 14 "parity adjustments" which devalued it by one-half. The external trade deficit soared to \$4,000m as the country's exports sluggishly failed to catch up even with the cost of oil imports at \$3,100m. Domestic demand slackened because of inflation. Coupled with the high cost of borrowed money, this discouraged the expansion of production which, anyway, is not of a quality that could easily find export markets.

Low quality, in fact, has tended to reorient Turkey's exports from its traditional OECD clientele, which in 1973 absorbed 71 per cent of it (and last year only 60 per cent), to the Arab countries whose share increased from 6.8 per cent to 20.

The results of the first year are disappointing. But analysts who have scrutinized the indicators of the last three months of 1980, have noticed some rays of hope, especially in exports which were enhanced by the lira devaluations.

Furthermore, the military government has been taking some drastic action to get rid of some of the economy's structural defects. It has decreed, for instance, a set of 25 tax reforms which no political party had felt strong enough to pass, as well as some labour laws which reshape management-labour relationships on a more rational footing.

A sharp increase in bank interest rates resulted in a 29 per cent growth of bank deposits within a few months, and, in order to attract the savings of Turkish workers abroad (estimated at \$10,000m) the banks are now authorized to offer a 17 per cent interest on a convertible currency deposits.

At the same time the Government, which seems more determined than its political predecessors to encourage foreign investors, wants to partially denationalize some of the state-owned enterprises where bad management and overstaffing have been causing enormous deficits.

The new government hopes it can stimulate a 3 per cent gross domestic product growth in 1981 and bring inflation down to 40 per cent. The success of these efforts, however, depends heavily on how much Western aid Turkey can obtain both in terms of recycled debts and in hard cash under the OECD's umbrella.

Mario Modiano

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STATEMENT OF CONDITION, DECEMBER 31, 1980

ASSETS		
Cash on Hand and Due from Banks	\$171,728,176	
U.S. Government Securities Direct and Guaranteed	120,908,698	
State, Municipal and Other Public Securities	82,089,841	
Federal Funds Sold	81,000,000	
Loans and Discounts	234,504,762	
Customers' Liability on Acceptances	24,184,181	
Other Assets	49,062,905	
	\$743,418,573	
LIABILITIES		
Deposits	\$618,510,094	
Federal Funds Purchased	43,300,000	
Acceptances: Less Amount in Portfolio	25,144,191	
Other Liabilities	18,199,004	
Capital	\$16,000,000	
Surplus	24,085,284	
	\$743,418,573	

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Business Diary: A great light hope of UK aviation?

Robin Britten's aerospace factory may be found after much searching deep within the walls of a fort built in the middle 1800s near Bembridge, on the Isle of Wight, to repel a French attack that never came.

But, although the location may be somewhat unusual, it now appears more than just possible that from it will spring a revived British light aircraft industry to replace that handed over on a plate to the Americans soon after the end of the last war.

The revival is based on the Sheriff, a four-seater, twin-engine machine, large parts of the prototype of which are now appearing and whose first flight is due in September.

Britten and his team intend that each Sheriff will sell for the equivalent of £47,000 in 1983 dollar terms, compared with £55,000 for its nearest equivalent in what *Flight International* refers to as American "Spam cans".

While the base of Aircraft Designs (Bembridge), the firm of which Britten is chairman, is out of the ordinary, Britten himself has little in common with the men who lead what is left of Britain's once multi-farious aerospace companies. He is the manager of the Holmes pop group which, he says proudly, has had more recent hits than any other British pop group, including the Beatles. Britten was happily pursuing

this career when his brother John died suddenly of a heart attack early forties three years ago, leaving behind his plans for the Sheriff. John Britten was the first half of the title of the Britten-Norman aircraft manufacturing company, which produced the most successful Islander and Trislander light airliners and which is now owned by the Swiss company Pilatus.

Robin Britten decided to take on the Sheriff while continuing with the Holmes. "I welcomed the new challenge," he says. "I did not want to see something that my brother had designed go to waste and I was motivated by the fact that some of the best light aviation brains in the country were available."

Work began two years ago in an upstairs room at the Britten family home in Bembridge but a year ago came the move to the fort to accommodate the staff which had by that time grown to a dozen and to be close to production facilities.

The recruits are a mixture of youth and experience the latter including men who have worked on almost every big British aerospace project since the war, from the Lightning fighter to the BAC 111 liner. Britten sees the company's breakthrough to proper aerospace respectability coming at the end of 1979 when the Civil Aviation Authority gave its



Spam can do or spam no can do? Robin Britten, chairman of Aircraft Designs (Bembridge), and a model of the Sheriff, a new light plane he hopes will take off this year.

approval to it as aircraft designers. "We thus joined an unfortunately small band of 12 in Britain," he said.

Soon after that, Britten and his team of what he terms "boffinologists" were invited to join a consortium, one of the other members of which is McAlpine, which is developing under a contract with the Department of Energy a wind-energy generator. This, when located in the North Sea, for instance in large numbers will

feed energy into the national grid.

Aircraft Designs Bembridge is bringing its aerospace expertise to bear on the aerodynamic problems inherent in such a project and in particular is producing a design for the windmill blades.

Britten sees his team on the Isle of Wight as ready to tackle almost any project where aerospace principles can be applied, from the design of parts of somebody else's air-

craft to the aerodynamics of a new car. More immediately, he is working with what he calls his "city cousins" to raise the money to take the Sheriff through to certification. It is a modest enough amount—some £200,000—but he is seeking, and he has a firm of stock brokers in the City of London advising him.

After certification the plan is to hand over production to an aircraft manufacturing company, which will then produce the aircraft in batches of 40 at the start and then of 100. His company has already talked to a number of such companies both in Britain and abroad and he sees no problem in this area, particularly at a time of world recession.

Britten relishes diving in at the deep end at such a moment and lists the advantages he sees for a small company with a high-technology base such as his.

"Point one," he says, "is that during a recession the small company can obtain supplies within 24 hours, while when big companies are doing well they don't want to know. My brother, and his partner, Desmond Norman, had to wait weeks for air trays when they were developing the Islander and everybody was doing well."

"The recession should bottom out in about two years, by which time our first batch of 40 Sheriffs should be on the market. It will be too late to

start the development process at that point.

"Then there is the fact that the specialists which I shall require in the future for their company development are far more likely to make a move when they see the projects on which they have been working in large companies slithering against the hope of better times in the future. And the final point is that at a time like this, large companies have more time to talk to people like us and to give us the information which we need."

Britten admits that he went into the aviation business after his brother's death knowing very little about it but says that he has learned a lot since then. "Although I still keep my mouth shut at most meetings

\$ Forward bargains are permitted on two previous days

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